

McLennan County Junior College District
Annual Financial Report
August 31, 2019 and 2018

Introductory Section

McLennan County Junior College District

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McLennan County Junior College District

Board of Trustees

	<u>Term Expires</u>
Officers:	
K. Paul Holt - Chairman Waco, Texas	2021
Earl Stinnet, Sr. – Vice Chairman Waco, Texas	2021
Doug McDurham – Secretary Waco, Texas	2023
Members:	
Pauline Chavez, Waco, Texas	2023
Dr. Elizabeth Palacios, Waco, Texas	2025
Ricky Turman, Waco, Texas	2021
Geneva Watley, Waco, Texas	2025

Principal Administrative Officers

Johnette McKown	President
Stephen Benson	Vice President, Finance and Administration
Fred Hills	Vice President, Instruction
Drew Canham	Vice President, Student Success
Phil Rhodes	Vice President, Research, Effectiveness and Information Technology
Terry Lechler	Director of Financial Services

Financial Section



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 600 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
McLennan County Junior College District:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of McLennan County Junior College District (the District) as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the McLennan Community College Foundation, a discretely presented component unit of the District, as of and for the years ended August 31, 2019 and 2018, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of McLennan County Junior College District as of August 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, the schedule of the District's proportionate share of the net pension liability on page 58, the schedule of the District's contributions to the Teacher Retirement System of Texas on page 59, the schedule of the District's proportionate share of the net OPEB liability on page 60, and the schedule of the District's contributions to the Employee Retirement System of Texas on page 61 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Uniform Grant Management Standards* and are also not a required part of the basic financial statements.

The supplemental information and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Jaynes, Reitzmeier, Boyd & Howell, P.C.

November 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

The Management's Discussion and Analysis (MD&A) is designed to provide an easy to read analysis of McLennan County Junior College District's (the District) financial activities for the years ended August 31, 2019 and 2018. This overview is based on facts, decisions and conditions known as of the date of the independent auditor's report. There are three financial statements presented: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements provide both long-term and short-term financial information on the District as a whole and should be read in conjunction with the Notes to Financial Statements.

Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers.

Financial statements for the District's component unit, McLennan Community College Foundation (the Foundation), are issued independently of the District. The Foundation's financial information is shown in separate columns on the District's basic financial statements. More details on the Foundation are in Note 1 in the Notes to Financial Statements.

Financial and Enrollment Highlights

- The District's assets exceeded liabilities by approximately \$13.3 million, \$11.5 million, and \$53.4 million as of August 31, 2019, 2018 and 2017 respectively. Of these amounts, unrestricted net position was (\$42.1) million for 2019, (\$41.2) million for 2018, and \$2.7 million for 2017. The decrease in unrestricted net position from 2017 to 2018 was the result of the District adopting GASB No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (GASB No. 75).
- The District's total net position increased by approximately \$1.7 million for 2019, \$1.8 million for 2018, and by \$1.4 million in 2017. Of these amounts, unrestricted net position increased by approximately \$1.0 million for 2019. Unrestricted net position decreased by approximately \$258,000 for 2018 and by \$433,000 in 2017.
- The total assessed value of property increased by approximately \$2.0 billion or 9.5% from 2018 to 2019, by \$519.3 million or 2.5% from 2017 to 2018, and by \$1.5 billion or 8.1% from 2016 to 2017.
- Capital assets (net) decreased by approximately \$1.6 million in 2019, \$2.9 million, in 2018, and \$2.6 million in 2017.
- Bonds increased approximately \$2.6 million in 2019, and bonds decreased by approximately \$4.1 million and \$3.8 million in 2018 and 2017, respectively.

Financial and Enrollment Highlights (continued)

- During 2019, the unduplicated and duplicated head count of credit students decreased by 250 students, and contact hours decreased by approximately 99,832 hours. During 2018 the unduplicated head count of credit students increased by 21 students, duplicated head count of credit students increased by 83 students, and contact hours increased by approximately 1,272 hours.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector organizations. Net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the financial health of the District. Over time, increases or decreases in net position are indicators of the financial improvement or erosion of the District.

From the data presented, readers of the Statement of Net Position are able to determine the resources that are available to continue the operations of the District. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the District.

Condensed Statements of Net Position (In Thousands)

	2019	2018	2017	Increase (Decrease)	
				2018 to 2019	2017 to 2018
Assets					
Current assets	\$ 38,668	35,028	31,135	3,640	3,892
Noncurrent assets:					
Capital assets, net of depreciation	<u>122,978</u>	<u>124,561</u>	<u>127,507</u>	<u>(1,583)</u>	<u>(2,946)</u>
Total assets	<u>161,646</u>	<u>159,589</u>	<u>158,642</u>	<u>2,057</u>	<u>946</u>
Deferred outflows of resources	<u>21,022</u>	<u>6,356</u>	<u>5,423</u>	<u>14,666</u>	<u>933</u>
Liabilities					
Current liabilities	19,974	22,897	19,869	(2,923)	3,028
Noncurrent liabilities	<u>132,055</u>	<u>120,701</u>	<u>88,742</u>	<u>11,354</u>	<u>31,959</u>
Total liabilities	<u>152,029</u>	<u>143,598</u>	<u>108,611</u>	<u>8,431</u>	<u>34,987</u>
Deferred inflows of resources	<u>17,360</u>	<u>10,797</u>	<u>2,019</u>	<u>6,563</u>	<u>8,778</u>

Statement of Net Position (continued)

	2019	2018	2017	Increase (Decrease)	
				2018 to 2019	2017 to 2018
Net Position					
Net investment in capital assets	45,097	49,289	47,878	(4,192)	1,411
Restricted, expendable	10,317	3,444	2,837	6,873	607
Unrestricted	<u>(42,135)</u>	<u>(41,183)</u>	<u>2,720</u>	<u>(952)</u>	<u>(43,903)</u>
Total net position	\$ <u>13,279</u>	<u>11,550</u>	<u>53,435</u>	<u>1,729</u>	<u>(41,885)</u>

Net position is divided into three major categories. The first category, net investment in capital assets, reflects the District's equity in capital assets less the related debt. The next category, restricted net position, is divided into nonexpendable and expendable. The District does not have any nonexpendable net position. Expendable restricted net position is available for expenditure by the District, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, which is available to the District for any lawful purpose.

Total assets increased by \$2.1 million from 2018 to 2019. Cash and cash equivalents increased \$3.0 million as explained below in the "Statement of Cash Flows" section. There were approximately \$2.5 million in capital assets added during 2019. The largest of these were for the Cosmetology renovations in the Community Services Center, Student Services building renovations, and the Business and Technology building renovations. Depreciation expense of \$4.1 million was incurred which resulted in a net decrease of \$1.6 million to capital assets, net of depreciation. Total assets increased \$0.9 million from 2017 to 2018. Cash and cash equivalents increased \$4.0 million as explained below in the "Statement of Cash Flows" section. There were approximately \$1.3 million in capital assets added during 2018. The largest of these were the chiller update, restroom renovations in the Music and Theatre Arts building and the Highlander Gym, and renovations to the stallion barn at the Highlander Ranch. Depreciation expense of \$4.3 million was incurred which resulted in a \$2.9 million decrease in total capital assets, net of depreciation.

Total deferred outflows of resources increased by approximately \$14.7 million from 2018 to 2019. Total deferred outflows of resources increased by approximately \$0.9 million from 2017 to 2018. These outflows for 2019 and 2018 include deferred charges on the 2015 and 2017 Refunding Bonds, changes in pension contributions, changes in assumptions, differences between projected and actual earnings, and differences between expected and actual economic experience of the pension and OPEB plans.

Total liabilities increased by approximately \$8.4 million from 2018 to 2019. Principal payments on bonds approximated \$4.1 million in 2019. The District issued \$6.6 million in revenue bonds in April 2019 to renovate the Business and Technology building. The District's net pension liability increased approximately \$6.7 million and the net OPEB liability

Statement of Net Position (continued)

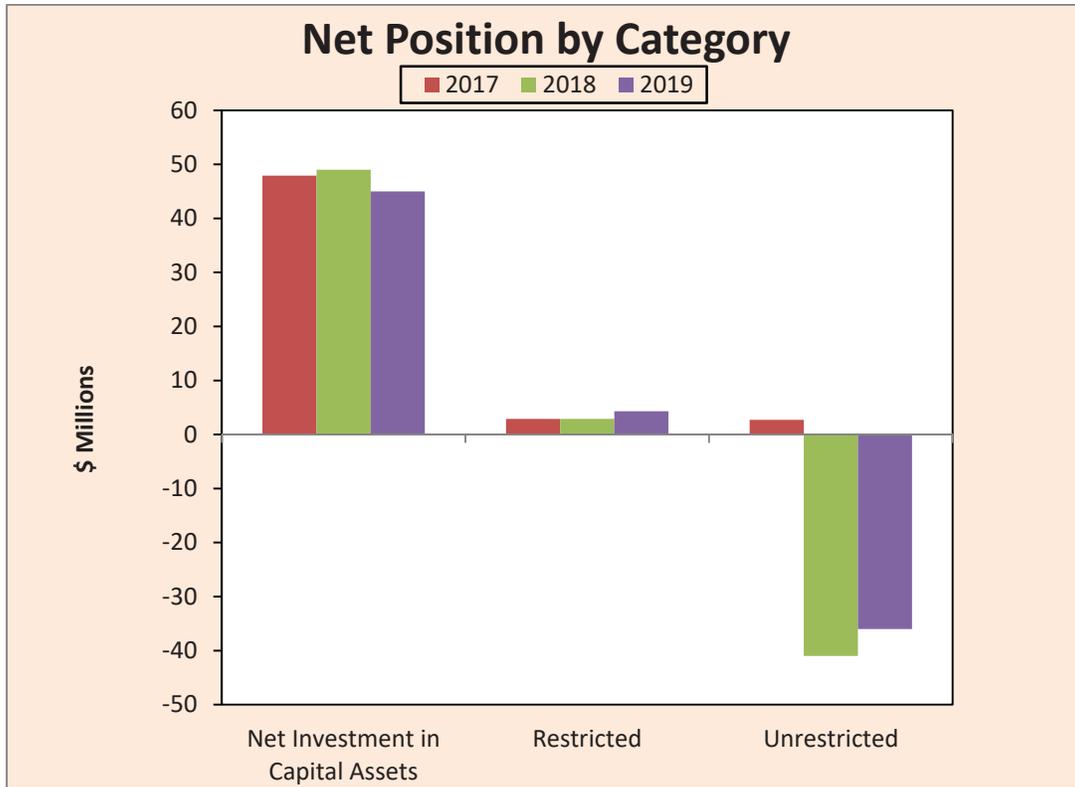
increased approximately \$2.9 million from 2018 to 2019. Additionally, the District recognized \$2.7 million less in accrued liabilities due to the timing of payments at year end. Total liabilities increased \$35.0 million from 2017 to 2018. Principal payments on bonds approximated \$4.1 million in 2018. The District issued \$9.05 million in bonds in September 2017 as a partial refunding of \$9.1 million in principal on the Series 2009 and 2010 Revenue bonds. The District's net pension liability decreased approximately \$1.3 million at August 31, 2018. The District's net OPEB liability was \$37.2 million at August 31, 2018. Additionally, the District recognized accrued liabilities for amounts due for retirement and OPEB contributions of approximately \$3.2 million.

Total deferred inflows of resources increased \$6.6 million from 2018 to 2019. Total deferred inflows of resources increased by approximately \$8.8 million from 2017 to 2018. These deferred inflows include deferred gains on bond refundings, differences between projected and actual investment earnings, differences between expected and actual economic experience, changes in assumptions and changes in proportion and differences in District contributions to the pension and OPEB plans. The adoption of GASB No. 75 resulted in a deferred inflow of \$8.3 million at August 31, 2018.

Of the \$13.3 million in net position in 2019, approximately \$45.1 million is net investment in capital assets. This is a decrease of \$4.2 million from 2018. Net position in 2018 related to net investment in capital assets increased \$1.4 million from 2017 to 2018.

The following graph illustrates the comparative changes in net assets by category over the past three years. Unrestricted net position is critical to support the District's overall mission; therefore, it is important that unrestricted net position be adequately maintained. The chart illustrates that unrestricted net position has grown in a consistent manner (exclusive of the adoption of GASB Nos. 68, 71, and 75) and that the District has not been required to use these resources to fund operations. The adoption of GASB No. 68 and 71 did not put the District in a deficit unrestricted net position; however, the adoption of GASB No. 75 did result in a deficit net position. Restricted net position represents balances of funds that have been received to fund specific projects. Accordingly, these balances will increase and decrease as funds are received and subsequently disbursed to fund these specific projects.

Statement of Net Position (continued)



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present the operating results of the District, as well as the non-operating revenues and expenses. Generally, operating revenues are those revenues received in exchange for the District providing goods and services. Operating expenses are those amounts paid to acquire or produce the goods and services in return for the operating revenues. Non-operating revenues are funds received with no direct relationship to the goods and services being provided. Accordingly, state appropriations and ad valorem taxes, while budgeted for operations, are classified as non-operating revenue for financial reporting purposes.

The following table reflects a summary of the Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2019, 2018, and 2017. This summary indicates the operating loss and the overall increase in net assets for each of the years displayed.

Statement of Revenues, Expenses and Changes in Net Position (continued)

**Condensed Statements of Revenues, Expenses, and
Changes in Net Position**
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
Tuition and fees, net	\$ 13,454	13,493	14,191
Other	1,556	1,536	1,627
	<u>15,010</u>	<u>15,029</u>	<u>15,818</u>
Operating expenses:			
Instruction	32,987	33,616	30,934
Public service	2,265	2,186	2,058
Academic support	2,871	2,743	2,489
Student services	5,270	4,912	4,384
Institutional support	10,738	10,074	9,467
Operation and maintenance of plant	5,774	5,770	5,760
Scholarships and fellowships	9,895	9,840	9,459
Auxiliary enterprises	2,546	2,006	2,011
Depreciation	4,118	4,275	4,299
	<u>76,464</u>	<u>75,422</u>	<u>70,861</u>
Operating loss	<u>(61,454)</u>	<u>(60,393)</u>	<u>(55,043)</u>
Non-operating revenues (expenses):			
State appropriations	17,139	18,241	15,659
Ad valorem taxes	25,823	24,226	22,275
Grants and contracts	22,141	22,004	20,770
Interest on debt	(2,545)	(2,414)	(2,763)
Other	626	95	547
	<u>63,184</u>	<u>62,152</u>	<u>56,488</u>
Increase in net position	<u>\$ 1,730</u>	<u>1,759</u>	<u>1,445</u>

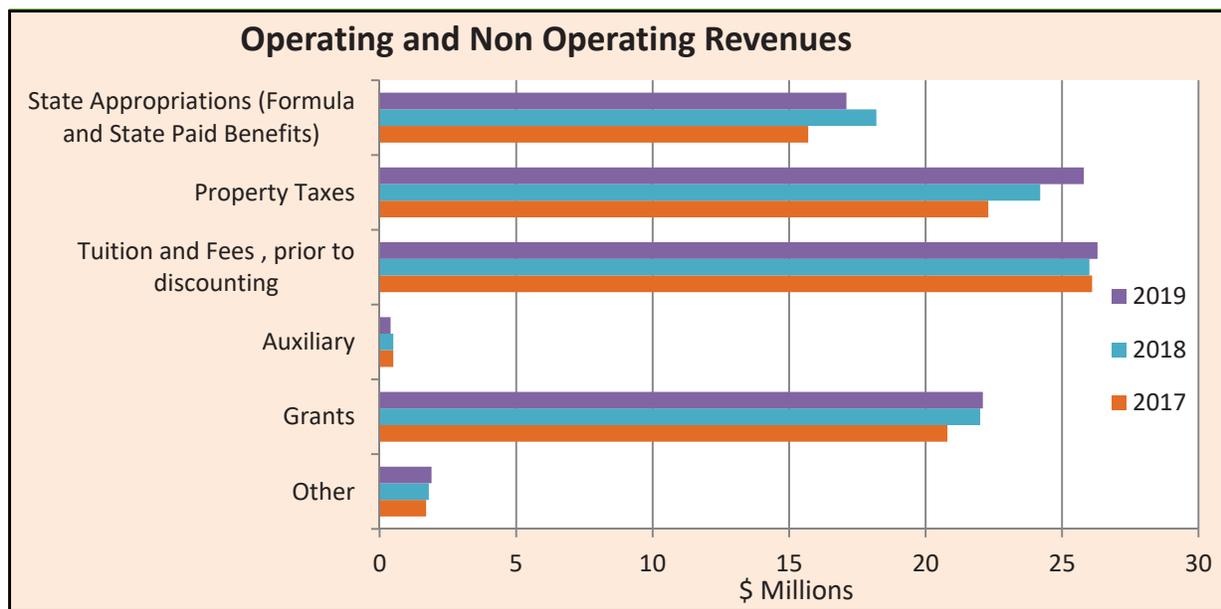
Operating and Non-operating Revenues

Major changes in operating and non-operating revenue are as follows:

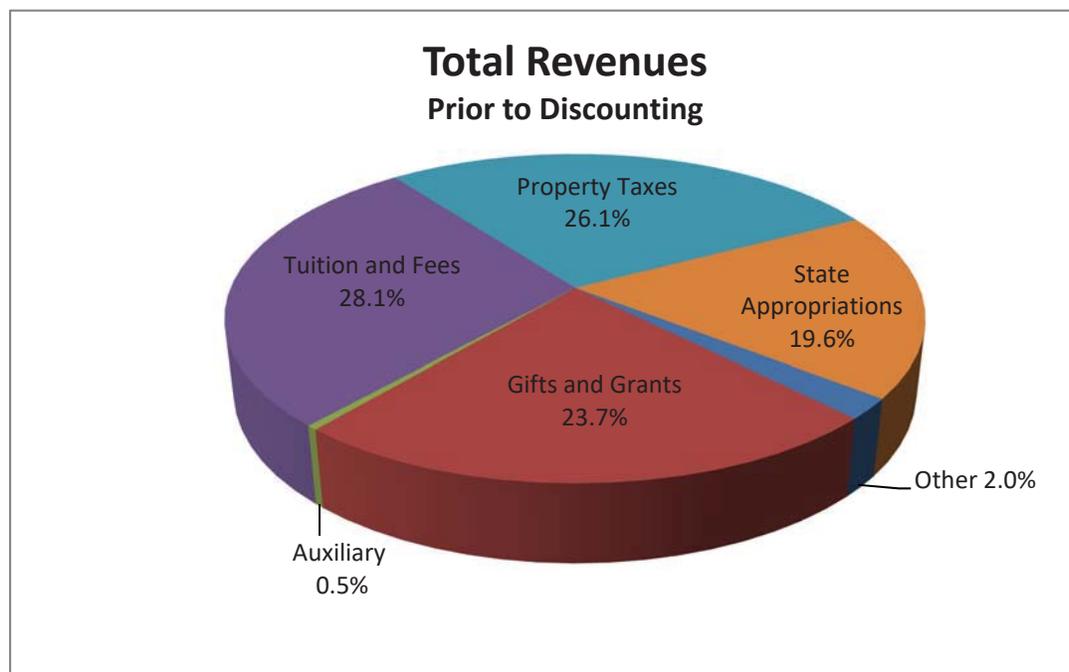
- Gross tuition and fee revenue for 2019 was \$26.3 million and increased from 2018 amounts by approximately \$0.2 million or 1%. Credit tuition increased by approximately \$0.3 million, and state funded continuing education tuition decreased by \$0.2 million. Tuition rates remained the same in 2019. Gross tuition and fee revenue for 2018 was \$26.0 million and decreased from 2017 amounts by approximately \$0.04 million or 0.17%. Credit tuition increased by approximately \$0.1 million, and state funded continuing education tuition increased by \$0.2 million. Tuition rates remained the same in 2018. During 2017, the District generated a gross total of \$26,058,963 for tuition and fees charged to credit and non-credit students attending classes at the District.
- State appropriated revenue for 2019 was \$17.1 million which was a decrease of \$1.1 million from 2018. Of the total decrease, \$1.0 million represents the portion of pension and OPEB expense that was recognized by the State of Texas on behalf of the District. State appropriated revenue for 2018 was \$18.2 million which was \$2.6 million more than 2017. State appropriated revenue for 2017 was \$15.7 million.
- Property tax revenue was \$25.8 million in 2019 which exceeded the prior year by approximately \$1.6 million or 6%. Tax revenue was \$24.2 million in 2018 which exceeded the prior year by approximately \$1.9 million or 8.5%. Tax revenue for 2017 was \$22.3 million. The combined tax rate was \$0.147696 per \$100 of valuation for 2019 and \$0.150346 per \$100 of valuation for 2018. Tax rates for maintenance and operations and assessed taxable property values continue to increase each year resulting in increases to revenues.
- Revenues from gifts, grants and contracts are not consistent from year to year, as private funds are given for specific purposes and many governmental grants are non-recurring. In 2019 and 2018 federal Pell grants were \$16.7 million. The Pell program was amended beginning with the 2017-2018 award year to permit up to 150% of an award to be granted to eligible students. In 2017, Federal Pell grants were 15.4 million.
- State grants in 2019 were \$1.5 million and decreased by approximately \$0.5 million from 2018 to 2019 based on reductions in the Skills Development grants. There were no significant changes in state grants in 2018 from 2017. State grants were \$1.9 million in 2017.

Operating and Non-operating Revenues (continued)

The following presentation graphically displays revenue trends.

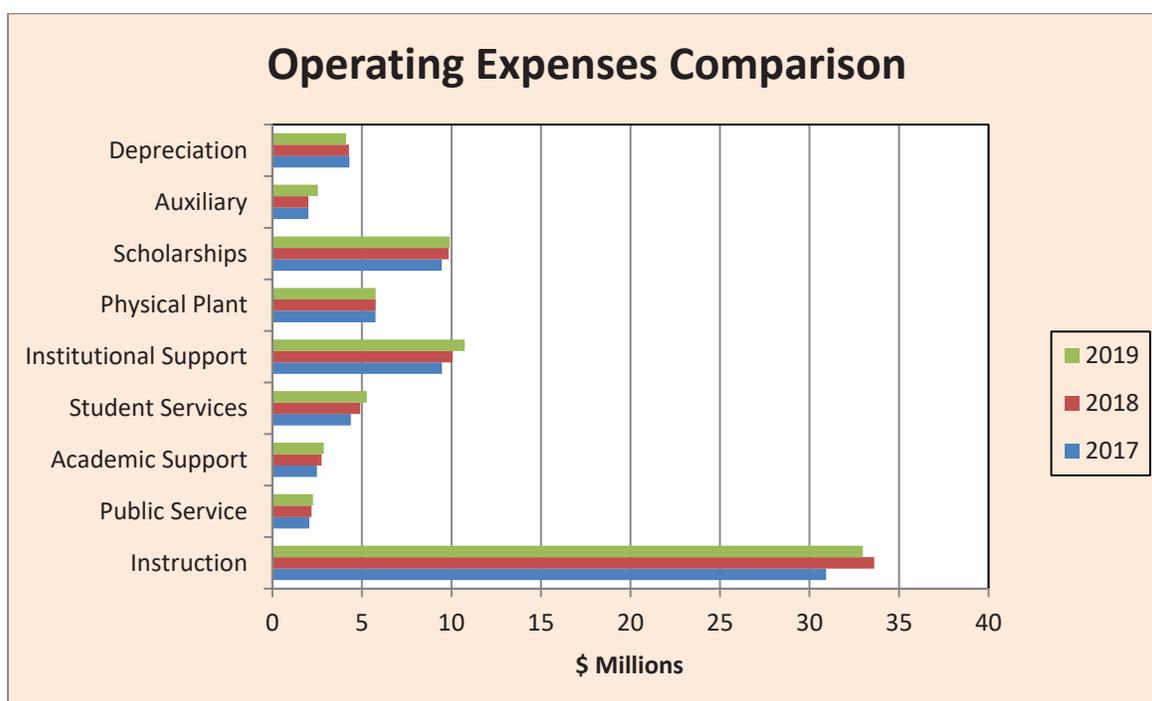


The following chart reflects revenues from all sources for fiscal year 2019. For purposes of this presentation, tuition and fees revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Position reflect these revenues net of scholarship discounts.



Operating Expenses

Functional classifications are the traditional categories that have been used to show expenses. They represent the type of programs and services provided. The following chart shows the District's 2019 expenses compared to the 2018 and 2017 expenses.



Total operating expenses for 2019 increased by approximately \$1.0 million. Total pension and OPEB expenses for the year were \$2.0 million which included the District's portion of plan expenses as well as amounts incurred by the State of Texas on behalf of the District and were recorded as a result of changes in assumptions in the respective liabilities. The remaining decrease was due to smaller reductions in depreciation expense and instruction expenses. Total operating expenses were \$75.4 million for 2018, an increase of approximately \$4.6 million from 2017. Total pension and OPEB expenses for 2018 were \$2.6 million. The OPEB expense was recorded initially in 2018 as a result of the adoption of GASB No. 75. Total operating expenses were \$70.9 million in 2017.

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the District's ability to generate net cash flows needed to meet its obligations as they come due and its need for external financing.

Statement of Cash Flows (continued)**Condensed Statements of Cash Flows**
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents provided by (used in):			
Operating activities	\$ (54,474)	(46,046)	(52,447)
Noncapital financing activities	53,979	53,734	50,503
Capital and related financing activities	3,039	(3,503)	(3,098)
Investing activities	<u>503</u>	<u>(149)</u>	<u>95</u>
Changes in cash and cash equivalents	<u>\$ 3,047</u>	<u>4,036</u>	<u>(4,947)</u>

The primary cash receipts from operating activities consist of tuition and fees and student loans. Cash outlays from operating activities include payment of wages, benefits, supplies, utilities and scholarships/loans.

State allocations, ad valorem taxes for maintenance and operations, and grants and contracts were the primary sources of non-capital financing. Accounting standards require that we reflect this source of revenue as non-operating, even though these resources are classified as operating revenues in the District's budget.

Cash flows from capital and related financing activities include receipts from taxes for debt service, interest and principal payments of capital debt, and capital asset additions.

Cash flows from investing activities include proceeds from sales or maturities of investments, purchased investments, and related interest earned on investments.

Capital Assets and Debt Administration

The table below reflects the District's year-end capital asset balances, before accumulated depreciation.

Schedule of Capital Assets
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 6,808	6,808	6,757
Library books	3,408	3,326	3,279
Construction in progress	1,069	-	-
Buildings	142,177	142,177	142,177
Improvements	28,188	27,011	26,113
Furniture, equipment and vehicles	<u>8,037</u>	<u>7,929</u>	<u>7,732</u>
	<u>\$ 189,687</u>	<u>187,251</u>	<u>186,058</u>

Capital Assets and Debt Administration (continued)

Capital asset additions totaled \$2.5 million and 1.3 million in 2019 and 2018, respectively. Major additions in 2019 included renovation projects in the Cosmetology Department located in the Community Service Center, Student Services building, and the Business and Technology building. Depreciation expense of \$4.1 million was incurred in 2019. Major additions in 2018 included a chiller update, restroom renovations in the Music and Theatre Arts building and the Highlander Gym, and renovations to the stallion barn at the Highlander Ranch. Depreciation expense of \$4.3 million was incurred in 2018. Major additions in 2017 were renovations in the Learning Technology Center for the Learning Commons area and the campus signage project. Depreciation of \$4.3 million was incurred in 2017.

The District had outstanding debt of approximately \$74.2 million and \$71.7 million as of August 31, 2019 and 2018, respectively.

Schedule of Outstanding Debt (In Thousands)

	2019	2018	2017
General obligation bonds	\$ 55,350	58,460	61,495
Revenue bonds	18,875	13,190	14,260
	\$ 74,225	71,650	75,755

For additional information concerning capital assets and debt administration, see Notes 6, 7, 8, and 9 in the Notes to the Financial Statements.

Economic Factors That Will Affect the Future

The District relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. Over the past several years, the District has responded to declining state funds by reducing costs and taking advantage of increased tax valuations. Currently, tuition and fees (before discounts) account for approximately 28% of the District's total (operating and non-operating) revenue, while state appropriations and local taxes account for 20% and 26%, respectively. The District expects state funding to continue to decline and has several options to address this trend. The District continues to rely on a proactive enrollment model to evaluate its course offerings based on student demand. Since its implementation in 2000, the District's enrollment peaked at 10,180 students in fall 2010 and currently stands at more than 8,500 students during the fall 2019 semester. The District's Office of Institutional Research and academic program chairs monitor course demand and utilization on a daily basis during registration to tailor offerings to demand.

Economic Factors That Will Affect the Future (continued)

The District has one of the lower maintenance and operations tax rates with a current rate of \$0.117287 per \$100 valuation. The District is ranked in the bottom half of the 50 community college districts in terms of tax rates. The District has the authority to raise its tax rate to as much as 0.25 cents per \$100 valuation. Consequently, the District has considerable capability to offset declining state funds with tax increases as long as the Legislature does not reduce the cap on annual tax revenue increases (currently set at 8%).

Declining state funds and a change in the types of student enrollment represent potential challenges for Texas community colleges. The largest enrollment trend is the increase in dual credit experienced by nearly all community colleges in Texas. For fall 2019, dual credit enrollment represents more than 25% of the headcount enrollment at MCC, leading to an increase in headcount. However, dual credit students take fewer hours than post-high school students leading to a decline in contact hours for fall. This represents a long-term strategic issue for the District, as it is possible that a significant number of high school students will earn an associate's degree prior to high school graduation (more than 40 students earned their associate's degree last spring prior to graduating from high school). Additionally, graduation and transfer rates are increasing, leading to more students moving on to complete a bachelor's degree or going to work. The District is focused on retaining current students and beginning a strategic enrollment planning process (including implementing a customer relationship management software (CRM) solution), and expects to begin to see impacts from the process starting in summer 2020.

The District is also seeking new opportunities. The cost of attending the District is approximately 36% of the cost to attend a typical state four-year institution. In response to these findings, the District continues the process of expanding its University Center by adding new bachelor degree programs with Texas Tech University and by adding to its offerings through Tarleton State University. The District is planning for the continued expansion of these initiatives, which is expected to increase demand for the District's current course offerings.

Beginning in the 2019-20 biennium, the funding model of Texas community colleges was adjusted to allocate \$680,000 for core operations and 13% of the remaining appropriations on the basis of student success points and 87% on contact hours. This was an overall increase in funding. The District was actively engaged in the development of the new model. For the 2020-21 biennium, success point funding will continue to be based on changes in total success points for each district.

The most significant potential impacts are the action of the Texas Legislature in imposing adding additional unfunded mandates or limiting the ability of the District to increase revenue from taxes. While community colleges were not included in the tax rate increase cap in the last legislative session, it is likely that there will be pressure on legislators to include them in the next session.

The District is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during subsequent years.

McLennan County Junior College District

Statements of Net Position (Exhibit 1)

August 31, 2019 and 2018

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2019	2018	2019	2018
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 12,549,819	16,313,861	398,866	190,292
Accounts receivable, net	16,745,872	16,161,210	271,812	448,812
Prepaid expenses	351,310	339,627	35,589	2,303
Restricted cash and cash equivalents	9,006,348	2,195,625	-	-
Inventories	14,670	17,419	-	-
Total current assets	<u>38,668,019</u>	<u>35,027,742</u>	<u>706,267</u>	<u>641,407</u>
Noncurrent assets:				
Restricted cash, cash equivalents, and investments	-	-	20,988,427	20,189,825
Capital assets, net	122,978,253	124,561,698	-	-
Other assets	-	-	39,364	38,309
Total noncurrent assets	<u>122,978,253</u>	<u>124,561,698</u>	<u>21,027,791</u>	<u>20,228,134</u>
Total assets	<u>161,646,272</u>	<u>159,589,440</u>	<u>21,734,058</u>	<u>20,869,541</u>
<u>Deferred Outflows of Resources</u>				
Deferred outflows of resources	<u>21,022,373</u>	<u>6,355,610</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	1,774,408	1,866,517	96,271	99,838
Accrued liabilities	3,342,651	6,068,897	-	-
Funds held for others	202,887	137,259	-	-
Unearned revenue	10,109,184	10,799,255	-	-
Bonds payable - current portion	4,545,000	4,025,000	-	-
Total current liabilities	<u>19,974,130</u>	<u>22,896,928</u>	<u>96,271</u>	<u>99,838</u>
Noncurrent liabilities:				
Bonds payable	76,219,797	74,466,657	-	-
Net pension liability	15,561,725	8,845,093	-	-
Net OPEB liability	40,273,748	37,389,647	-	-
Total noncurrent liabilities	<u>132,055,270</u>	<u>120,701,397</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>152,029,400</u>	<u>143,598,325</u>	<u>96,271</u>	<u>99,838</u>
<u>Deferred Inflows of Resources</u>				
Deferred inflows of resources	<u>17,359,721</u>	<u>10,796,992</u>	<u>-</u>	<u>-</u>
<u>Net Position</u>				
Net position:				
Net investment in capital assets	45,097,276	49,289,221	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	10,298,471	9,802,958
Other	-	-	830,977	830,084
Expendable:				
Scholarships and fellowships	1,606,771	1,490,247	10,100,207	9,756,757
Debt service	2,686,882	1,953,456	-	-
Other	6,023,269	-	362,334	332,988
Unrestricted	<u>(42,134,674)</u>	<u>(41,183,191)</u>	<u>45,798</u>	<u>46,916</u>
Total net position	<u>\$ 13,279,524</u>	<u>11,549,733</u>	<u>21,637,787</u>	<u>20,769,703</u>

See accompanying notes to the financial statements.

McLennan County Junior College District

Statements of Revenues, Expenses, and Changes in Net Position
(Exhibit 2)

Years Ended August 31, 2019 and 2018

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2019	2018	2019	2018
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$12,826,087 and \$12,522,202, respectively)	\$ 13,453,670	13,492,675	-	-
Gifts	-	-	1,236,428	1,681,364
Sales and services of educational activities	1,015,863	867,204	-	-
Auxiliary enterprises	403,484	456,471	-	-
Other operating revenues	137,057	212,770	-	-
Total operating revenues	<u>15,010,074</u>	<u>15,029,120</u>	<u>1,236,428</u>	<u>1,681,364</u>
Operating expenses:				
Instruction	32,987,202	33,616,018	-	-
Public service	2,264,847	2,186,025	-	-
Academic support	2,870,689	2,742,871	-	-
Student services	5,269,865	4,911,230	-	-
Institutional support	10,738,435	10,074,226	587,255	558,353
Operation and maintenance of plant	5,773,536	5,769,905	52,465	156,112
Scholarships and fellowships	9,895,348	9,840,470	434,681	344,325
Auxiliary enterprises	2,546,354	2,005,867	-	-
Depreciation	4,118,138	4,275,444	-	-
Total operating expenses	<u>76,464,414</u>	<u>75,422,056</u>	<u>1,074,401</u>	<u>1,058,790</u>
Operating income (loss)	<u>(61,454,340)</u>	<u>(60,392,936)</u>	<u>162,027</u>	<u>622,574</u>
Nonoperating revenues (expenses):				
State appropriations	17,138,675	18,241,347	-	-
Ad valorem taxes for maintenance and operations	20,175,004	18,534,740	-	-
Ad valorem taxes for debt service	5,648,591	5,691,315	-	-
Federal grants and contracts	20,420,431	19,903,058	-	-
State grants and contracts	1,487,941	1,949,263	-	-
Local grants and contracts	232,828	151,609	-	-
Investment income	479,285	318,355	706,057	2,004,608
Gifts	298,883	400,478	-	-
Interest on capital asset-related debt	(2,545,478)	(2,414,070)	-	-
Gifts expense	-	(385,847)	-	-
Other nonoperating revenues (expenses), net	(152,029)	(238,239)	-	21
Net nonoperating revenues	<u>63,184,131</u>	<u>62,152,009</u>	<u>706,057</u>	<u>2,004,629</u>
Increase in net position	<u>1,729,791</u>	<u>1,759,073</u>	<u>868,084</u>	<u>2,627,203</u>
Net position - beginning of year	<u>11,549,733</u>	<u>9,790,660</u>	<u>20,769,703</u>	<u>18,142,500</u>
Net position - end of year	<u>\$ 13,279,524</u>	<u>11,549,733</u>	<u>21,637,787</u>	<u>20,769,703</u>

See accompanying notes to the financial statements.

McLennan County Junior College District

Statements of Cash Flows
(Exhibit 3)

Years Ended August 31, 2019 and 2018

	Primary Government	
	2019	2018
Cash flows from operating activities		
Receipts from students and other customers:		
Tuition and fees	\$ 13,818,475	13,822,027
Auxiliary enterprises and educational activities	883,117	(14,094)
Receipts from third-party student loans	9,777,378	11,541,183
Other receipts	137,057	212,770
Loans issued to students	(9,777,378)	(11,541,183)
Payments to employees	(37,438,212)	(35,640,415)
Payments to suppliers and students	(31,874,600)	(24,425,806)
Net cash used in operating activities	(54,474,163)	(46,045,518)
Cash flows from noncapital financing activities		
Receipts of state appropriations	12,379,835	12,390,683
Receipts from ad valorem taxes for maintenance and operation	19,995,199	22,493,008
Receipts of grants and contracts	21,304,275	18,508,699
Receipts from gifts for other than capital purposes	299,473	341,404
Net cash provided by noncapital financing activities	53,978,782	53,733,794
Cash flows from capital and related financing activities		
Receipts from ad valorem taxes for debt service	5,604,039	5,695,512
Proceeds from issuance of capital related debt	7,152,882	-
Purchases of capital assets	(2,534,762)	(1,374,410)
Payments on capital debt principal	(4,025,000)	(4,055,000)
Payments on capital debt interest	(3,157,984)	(3,813,816)
Other receipts	-	44,608
Net cash provided by (used in) capital and related financing activities	3,039,175	(3,503,106)
Cash flows from investing activities		
Receipts from interest on investments	502,887	236,592
Gifts paid	-	(385,847)
Net cash provided by (used in) investing activities	502,887	(149,255)
Net increase in cash and cash equivalents	3,046,681	4,035,915
Cash and cash equivalents - beginning of year	18,509,486	14,473,571
Cash and cash equivalents - end of year	\$ 21,556,167	18,509,486
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (61,454,340)	(60,392,936)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,118,138	4,275,444
On-behalf payments	4,758,840	5,850,665
Contributions in excess of pension and OPEB expense	1,160,760	1,446,214
Change in assets and liabilities:		
Receivables, net	88,371	(947,454)
Inventories	2,749	16,269
Prepaid expenses	(11,683)	458,474
Accounts payable	(92,109)	(118,112)
Accrued liabilities	(2,785,093)	3,426,881
Funds held for others	65,628	(103,711)
Unearned revenue	(325,424)	42,748
Net cash used in operating activities	\$ (54,474,163)	(46,045,518)
Noncash capital, financing and investing activities:		
State appropriations on-behalf payments	\$ 4,758,840	5,850,665

See accompanying notes to the financial statements.

McLennan County Junior College District

Notes to Financial Statements

August 31, 2019 and 2018

(1) Nature of Operations and Reporting Entity

McLennan County Junior College District (the District) was established in 1965, in accordance with the laws of the State of Texas, to serve the education needs of McLennan County. The District offers courses which are transferable to senior colleges and universities. Students may also choose to earn associate degrees or certifications in a wide range of technical fields, including those leading to careers in business, health and service. The District is considered to be a primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus: An Amendment of GASB Statements No. 14 and No. 34*. While the District receives funding from local, state, and federal sources and must comply with the spending, reporting, and record-keeping requirements of these entities, it is not a component unit of any other governmental entity. The accompanying financial statements present the District and its component unit described below. The discretely presented component unit is reported in a separate column to emphasize that it is legally separate from the District.

McLennan Community College Foundation (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for purposes of developing and extending the facilities of the District and enhancing the educational opportunities of residents in the geographical area the District serves. The Foundation receives a significant portion of its revenue from individuals and businesses in the Central Texas area. The District does not control the timing or amount of receipts from the Foundation. However, the majority of resources or income thereon that the Foundation holds and invests is for the benefit of the District or its constituents. Because the net position of the Foundation compared to the District is significant, because substantially all resources held by the Foundation can only be used by, or for the benefit of, the District, and because the Foundation has historically provided resources to the District or its constituents, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. During the years ended August 31, 2019 and 2018, the Foundation expended \$704,597 and \$715,030, respectively, directly to the District or to the District on behalf of students. Complete financial statements for the Foundation can be obtained from the Foundation office at 1400 College Drive, Waco, Texas 76708.

The District is reported as a special-purpose government engaged in business-type activities. The significant accounting policies followed by the District in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. These accounting policies basically conform to generally accepted accounting principles applicable to government units.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies(a) Basis of Accounting

The financial statements of the District have been prepared using the economic resource measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when a liability has been incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The District distinguishes operating revenues and expenses from nonoperating items. The primary consideration in classifying revenues and expenses is how individual transactions are categorized for purposes of preparing the statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as components of nonoperating income. The principal operating revenue of the District results from providing education services to students and consists of tuition and fees, as well as sales and services of educational activities and auxiliary goods and services. Operating expenses include the cost of providing educational services, auxiliary goods and services, and administrative expenses. All revenues and expenses not meeting this definition – including gifts, contributions, and grants from nonexchange and exchange-like transactions – are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the District consist of state appropriations, property taxes, and grants and contracts. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies (continued)(b) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year-end that were provided for in the subsequent year's budget are reported as designations of net position since they do not constitute expenditures or liabilities.

(c) Scholarship Allowances and Discounts

Student tuition and fee revenues are reported net of scholarship allowances and discounts in the statements of revenues, expenses, and changes in net position. Scholarship allowances and discounts are the difference between the stated charge for goods and services provided by the District and the amount that is paid by students. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs, are recorded as nonoperating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the District has recorded a scholarship allowance and discount.

Texas Public Education Grants: Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue as a separate set aside in accordance with the Texas Education Code. When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount.

Title IV Program Funds and Other Tuition Discounts: Certain Title IV Program funds are received by the District to pass through to the students. In addition, the District awards tuition and fee scholarships from institutional funds to students who qualify. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and corresponding amounts are recorded as tuition discounts.

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

Cash equivalents of \$270,397 and \$273,399 at August 31, 2019 and 2018, respectively, consist of public funds investment pools. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

Restricted cash and cash equivalents represent resources accumulated for debt service payments for the Series 2013 and 2015 limited tax bonds payable and 2009, 2010, 2017, and 2019 revenue bonds payable at August 31, 2019 and 2018.

(e) Investments

Investments are reported at fair value, except for money market funds and participating interest-earning investment contracts that mature within one year of the date of their acquisition and nonparticipating investment contracts which are stated at cost. Fair values are based on published market prices. The governmental investment pools operate in accordance with appropriate state laws and regulations. The value of the pools is reported at amortized cost which, in most cases, approximates the fair values of the pool shares.

(f) Inventories

Inventories, consisting of consumable office supplies and physical plant supplies, are valued at the lower of cost or market using the first-in, first-out method and are charged to expense as consumed.

(g) Capital Assets

Capital assets, which include land, buildings, library books, furniture, equipment and other improvements, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Renovations to buildings and other improvements that significantly increase the value or extend the useful life of such assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are charged to operating expense in the year in which the expense is incurred. The District reports depreciation under a single line item as a business-type unit.

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(g) Capital Assets (continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	50 years
Other improvements	20 years
Library books	15 years
Furniture and equipment	5 - 10 years

(h) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resource (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows and inflows as of August 31, 2019 and 2018 consist of the following:

	2019	2018
Deferred Outflows		
Deferred charges on bond refundings	\$ 3,115,938	3,492,259
Pension related:		
Pension contributions subsequent to measurement date	1,046,048	931,282
Differences between expected and actual economic experience	96,999	129,408
Changes in assumptions	5,610,751	402,908

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Deferred Outflows and Inflows of Resources (continued)

	<u>2019</u>	<u>2018</u>
Change in proportionate contributions	\$ 392,528	261,486
OPEB related:		
Pension contributions subsequent to measurement date	1,189,289	1,127,197
Changes in proportion and differences between District contributions and proportionate share of contributions	9,551,748	-
Differences between projected and actual investment earnings	<u>19,072</u>	<u>11,070</u>
	<u>\$ 21,022,373</u>	<u>6,355,610</u>
 Deferred Inflows		
Deferred gains on bond refundings	\$ 232,117	273,079
Pension related:		
Changes in proportion and differences between District contributions and proportionate share of contributions	686,651	904,611
Differences between expected and actual economic experience	381,823	477,004
Changes in assumptions	175,336	230,655
Differences between projected and actual investment earnings, net	295,272	644,611
OPEB related:		
Differences between expected and actual economic experience	1,475,500	449,304
Changes in assumptions	<u>14,113,022</u>	<u>7,817,728</u>
	<u>\$ 17,359,721</u>	<u>10,796,992</u>

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(i) Unearned Revenue

Unearned revenue of the District at August 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Tuition and fees	\$ 9,547,964	9,882,326
Federal grants	131,930	122,084
Scholarships	242,834	225,383
State grants	<u>186,456</u>	<u>569,462</u>
	<u>\$ 10,109,184</u>	<u>10,799,255</u>

(j) Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(k) Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employee Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and payable in accordance with benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(1) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, certain accrued liabilities, net pension liability, net OPEB liability and related deferred outflows and inflows of resources. Actual results could differ from those estimates.

(3) Authorized Investments

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The District is also required to follow specific investment practices prescribed by the Public Funds Investment Act (the Act) related to establishment of appropriate investment policies and management reports.

(4) Deposits and Investments

Deposits and investments of the District at August 31, 2019 and 2018 consist of the following:

<u>Deposits</u>	<u>2019</u>	<u>2018</u>
Cash - demand deposits	\$ 3,215,175	1,617,962
Cash - certificates of deposit	18,068,340	16,615,846
Cash - petty cash on hand	2,255	2,279
Total deposits	<u>21,285,770</u>	<u>18,236,087</u>

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(4) Deposits and Investments (continued)

	<u>2019</u>	<u>2018</u>
<u>Investments - cash equivalents</u>		
Texas TERM Local Government		
Investment Pool	\$ 8,741	8,541
Texas Local Government Investment Pool	261,363	264,572
Lone Star Investment Pool	<u>293</u>	<u>286</u>
Total investments-cash equivalents	<u>270,397</u>	<u>273,399</u>
Total deposits and investments	<u>\$ 21,556,167</u>	<u>18,509,486</u>

Deposits and investments of the Foundation at August 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
<u>Deposits</u>		
Cash - demand deposits	\$ 298,893	90,319
Cash - certificates of deposit	<u>99,973</u>	<u>99,973</u>
Total deposits	<u>398,866</u>	<u>190,292</u>
<u>Investments</u>		
Funds of a management investment		
company	\$ 9,471,739	9,156,711
Equity securities	9,516,673	9,375,973
Other investments	<u>2,000,015</u>	<u>1,657,141</u>
Total investments	<u>20,988,427</u>	<u>20,189,825</u>
Total deposits and investments	<u>\$ 21,387,293</u>	<u>20,380,117</u>

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(4) Deposits and Investments (continued)

The weighted average maturity of investments (in days) of the District at August 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
TexasTERM Local Government Investment Pool	29	29
Texas Local Government Investment Pool	36	28
Lone Star Investment Pool	39	37

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. Money market mutual funds must have a dollar weighted average stated maturity of 90 days or less. The maximum allowable stated maturity of any other individual investment owned by the District cannot exceed the limits established by the Public Funds Investment Act. If no maximum allowable stated maturity is provided for a particular investment, the maximum allowable stated maturity for such investment cannot exceed five years except for the purchase of investments related to the refunding of bonds in which case the maturity of the escrowed amount cannot exceed the life of the bond.

Credit Risk. Credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations related to the investment. It is the District's policy to limit its investments in a manner that ensures the preservation of capital in the overall portfolio. Specifically, public funds investment pools must be rated not less than AAA or an equivalent rating by at least one nationally recognized rating service. At August 31, 2019 and 2018, public funds investment pools held by the District were rated AAAM by Standard & Poor's.

As indicated above, investments of the District at August 31, 2019 and 2018 include deposits in the Texas Local Government Investment Pool, TexasTERM Local Government Investment Pool, and Lone Star Investment Pool (collectively, the Pools). These Pools are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to the Pools as custodians and to make investment purchases with the District's funds. The District does not own specific, identifiable investment securities within the Pools.

TexasTERM Local Government Investment Pool is a public funds investment pool organized under a common investment contract managed by an elected advisory board.

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(4) Deposits and Investments (continued)

TexasTERM Local Government Investment Pool is a non-taxable investment fund established for local governments in Texas under the provisions of the Texas Interlocal Cooperation Act. The pool offers two investment portfolios, TexasTERM and TexasDAILY. The District has investments in the TexasDAILY portfolio. TexasDAILY uses amortized cost rather than the fair value to report net assets to compute share prices.

The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals may be made daily. TexPool uses amortized cost rather than fair value to report net assets to compute share prices.

Lone Star Investment Pool (Lone Star) is a member-owned, member-governed public funds investment pool offering three funds: Liquidity Fund, Liquidity Plus Fund, and U.S. Government Fund. The Board of Trustees, who has governance responsibilities, is comprised of participants in Lone Star and members of the Texas Association of School Business Officials. The District has investments in the Liquidity Fund of Lone Star. The Liquidity Fund uses amortized cost rather than the fair value to report net assets to compute share prices.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in the securities of a single issuer. The District's investment policy includes an investment objective of seeking diversification to avoid unreasonable risk.

Interest Rate and Credit Risks of McLennan Community College Foundation. The Foundation has general investment policies to seek reasonable income, preserve capital, and, in general, avoid speculative investments. However, the Foundation does not have a specific policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Also, the Foundation does not have a specific policy to limit the risk that an issuer or other counterparty to its mutual funds will not fulfill its obligations.

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(5) Disaggregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Auxiliary and other	\$ 8,063,267	7,069,244
Tuition and fees	7,729,806	8,354,407
Taxes	1,412,292	1,083,453
Federal and state grants	783,840	599,470
Interest	69,109	92,711
	<u>18,058,314</u>	<u>17,199,285</u>
Less allowance for doubtful accounts	<u>(1,312,442)</u>	<u>(1,038,075)</u>
Accounts receivable, net	<u>\$ 16,745,872</u>	<u>16,161,210</u>

Accrued liabilities at August 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Salaries and benefits payable	\$ 820,012	747,204
Claims liability	200,628	200,628
Interest payable	501,895	443,048
Other payables	<u>1,820,116</u>	<u>4,678,017</u>
Accrued liabilities	<u>\$ 3,342,651</u>	<u>6,068,897</u>

(6) Capital Assets

Capital asset activity for the year ended August 31, 2019 was as follows:

	Balance September 1, 2018	Additions	Transfers and Retirements	Balance August 31, 2019
Capital assets not being depreciated:				
Land	\$ 6,807,780	-	-	6,807,780
Construction in progress	-	1,068,815	-	1,068,815
	<u>6,807,780</u>	<u>1,068,815</u>	<u>-</u>	<u>7,876,595</u>

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2018	Additions	Transfers and Retirements	Balance August 31, 2019
Capital assets, being depreciated:				
Buildings and building improvements	\$ 142,177,023	-	-	142,177,023
Other real estate improvements	27,011,513	1,176,229	-	28,187,742
Total buildings and other real estate improvements	169,188,536	1,176,229	-	170,364,765
Library books	3,325,735	82,454	-	3,408,189
Furniture and equipment	7,929,366	207,195	(99,087)	8,037,474
Total buildings and other capital assets	180,443,637	1,465,878	(99,087)	181,810,428
Less accumulated depreciation:				
Buildings and building improvements	\$ 43,730,783	3,583,588	-	47,314,371
Other real estate improvements	10,452,303	-	-	10,452,303
Total buildings and other real estate improvements	54,183,086	3,583,588	-	57,766,674
Library books	2,746,971	78,784	-	2,825,755
Furniture and equipment	5,759,662	455,766	(99,087)	6,116,341
Total accumulated depreciation	62,689,719	4,118,138	(99,087)	66,708,770
	117,753,918	(2,652,260)	-	115,101,658
Net capital assets	\$ 124,561,698	(1,583,445)	-	122,978,253

Capital asset activity for the year ended August 31, 2018 was as follows:

	Balance September 1, 2017	Additions	Transfers and Retirements	Balance August 31, 2018
Capital assets not being depreciated:				
Land	\$ 6,757,040	50,740	-	6,807,780
	6,757,040	50,740	-	6,807,780
Capital assets, being depreciated:				
Buildings and building improvements	\$ 142,177,023	44,617	(44,617)	142,177,023
Other real estate improvements	26,112,816	898,697	-	27,011,513
Total buildings and other real estate improvements	168,289,839	943,314	(44,617)	169,188,536
Library books	3,279,455	46,280	-	3,325,735
Furniture and equipment	7,732,364	334,076	(137,074)	7,929,366
Total buildings and other capital assets	179,301,658	1,323,670	(181,691)	180,443,637

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2017	Additions	Transfers and Retirements	Balance August 31, 2018
Less accumulated depreciation:				
Buildings and building improvements	\$ 40,108,762	3,622,021	-	43,730,783
Other real estate improvements	10,452,303	-	-	10,452,303
Total buildings and other real estate improvements	50,561,065	3,622,021	-	54,183,086
Library books	2,666,853	80,118	-	2,746,971
Furniture and equipment	5,323,431	573,305	(137,074)	5,759,662
 Total accumulated depreciation	 58,551,349	 4,275,444	 (137,074)	 62,689,719
	<u>120,750,309</u>	<u>(2,951,774)</u>	<u>(44,617)</u>	<u>117,753,918</u>
Net capital assets	\$ <u>127,507,349</u>	<u>(2,901,034)</u>	<u>(44,617)</u>	<u>124,561,698</u>

Construction in progress at August 31, 2019 consisted of the Business and Technology building renovations of which \$1,068,815 had been spent to date with a remaining commitment of \$3,884,234.

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2019 was as follows:

	Balance September 1, 2018	Additions	Reductions	Balance August 31, 2019	Current Portion
Bonds payable:					
Revenue bonds payable	\$ 13,190,000	6,600,000	915,000	18,875,000	1,275,000
Refunding limited tax bonds payable	58,460,000	-	3,110,000	55,350,000	3,270,000
Bond issuance premiums and discounts	6,841,657	552,882	854,742	6,539,797	-
Net pension liability	8,845,093	7,669,052	952,420	15,561,725	-
Net OPEB liability	37,389,647	13,041,792	10,157,691	40,273,748	-
	<u>\$ 124,726,397</u>	<u>27,863,726</u>	<u>15,989,853</u>	<u>136,600,270</u>	<u>4,545,000</u>

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Long-term liability activity for the year ended August 31, 2018 was as follows:

	Balance September 1, 2017	Additions	Reductions	Balance August 31, 2018	Current Portion
Bonds payable:					
Refunding revenue					
bonds payable	\$ 625,000	-	625,000	-	-
Revenue bonds payable	13,635,000	9,050,000	9,495,000	13,190,000	915,000
Refunding limited					
tax bonds payable	61,495,000	-	3,035,000	58,460,000	3,110,000
Bond issuance premiums					
and discounts	6,774,238	865,000	797,581	6,841,657	-
Net pension liability	10,117,620	1,750	1,274,277	8,845,093	-
Net OPEB liability	44,672,680	4,172,592	11,455,625	37,389,647	-
	<u>\$ 137,319,538</u>	<u>14,089,342</u>	<u>26,682,483</u>	<u>124,726,397</u>	<u>4,025,000</u>

Bonds payable are comprised of the following individual issues:

\$6,600,000 Revenue Bonds – Series 2019

To acquire, purchase, construct, improve, enlarge, equip, operate, and maintain structures, property, buildings and facilities; issued March 26, 2019; all authorized bonds have been issued; due in installments through 2034; secured by tuition revenue; call year 2029.

\$9,050,000 Refunding Revenue Bonds – Series 2017

To advance refund \$9,050,000 of outstanding Revenue Bonds – Series 2009 and 2010; issued August 11, 2017; all authorized bonds have been issued; due in installments through 2030; secured by pledged revenues of tuition, facility fees, net revenues from the District's book store, cafeteria and vending machine operations, interest earnings and revenues of any revenue-producing facilities acquired or constructed with bond proceeds; no bond reserve fund is required; call year 2027.

\$52,765,000 Refunding Limited Tax Bonds – Series 2015

To advance refund \$55,825,000 of outstanding Limited Tax Bonds – Series 2007; issued March 10, 2015; all authorized bonds have been issued; due in installments through 2032; secured by property tax revenues; no bond reserve fund is required.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(7) Long-Term Liabilities (continued)\$8,550,000 Refunding Limited Tax Bonds (Tax-Exempt) – Series 2013

To advance refund \$8,550,000 of outstanding Limited Tax Bonds – Series 2007; issued May 2, 2013; all authorized bonds have been issued; due in installments through 2025; secured by property tax revenues; no bond reserve fund is required; call year 2022.

\$6,140,000 Refunding Limited Tax Bonds (Taxable) – Series 2013

To advance refund \$6,185,000 of outstanding Refunding Limited Tax Bonds – Series 2005; issued May 2, 2013; all authorized bonds have been issued; due in installments through 2019; secured by property tax revenues; no bond reserve fund is required.

\$9,545,000 Revenue Bonds – Series 2010

To acquire, construct, and improve buildings, structures, and facilities, including the construction of a parking garage facility; issued April 15, 2010; all authorized bonds have been issued; due in installments through 2030; secured by tuition revenue; call year 2020.

\$5,985,000 Revenue Bonds – Series 2009

To acquire, construct, and improve buildings, structures, and facilities, including the construction of a parking garage facility; issued January 15, 2009; all authorized bonds have been issued; due in installments through 2023; secured by tuition revenue; call year 2018.

Bonds payable are due in annual installments varying from \$20,000 to \$5,535,000 with interest rates from 2% to 5% with the final installment in 2034. Debt service requirements to amortize bonds payable as of August 31, 2019, are as follows:

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 1,275,000	714,318	3,270,000	2,447,550
2021	1,315,000	658,231	3,430,000	2,287,050
2022	1,350,000	626,831	3,600,000	2,118,550
2023	1,395,000	576,431	3,045,000	2,841,550
2024	1,465,000	520,631	3,840,000	1,850,650
2025 - 2029	8,110,000	1,758,351	22,240,000	6,710,950
2030 - 2034	3,965,000	379,575	15,925,000	1,509,350
	<u>\$ 18,875,000</u>	<u>5,234,368</u>	<u>55,350,000</u>	<u>19,765,650</u>

The District has pledged certain future tuition and fees to repay \$18.9 million in revenue bonds issued in 2019, 2017, 2010, and 2009. Proceeds from the bonds provided financing for the remodel of the business and technology building, construction of parking garage facilities, and refunding of the 1995, 2009, and 2010 revenue bonds which provided funds for campus facility improvements. Annual principal and interest payments on the bonds are expected to require 40% of the pledged tuition and fees. The total principal and interest remaining to be paid on the bonds is \$24.1 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$1.4 million and \$3.3 million, respectively.

(8) Advance Refunding

On September 6, 2017, the District issued \$9.05 million of Refunding Revenue Bonds, Series 2017 with interest rates ranging from 2% to 4%. The District issued the bonds to advance refund \$9.1 million of the outstanding Revenue Bonds, Series 2009 and 2010. Approximately \$9.7 million of proceeds were deposited in an irrevocable trust to provide for all future debt service on the refunding portion of the 2009 and 2010 bonds. As a result, that portion of the 2009 and 2010 series bonds are considered defeased, and the District has removed the liability from the accompanying Statement of Net Position. The reacquisition price exceeded the net carrying amount on the refunded portion of the 2009 and 2010 series bonds by \$692,348. This amount is reflected as a deferred charge on refunding and will be amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$717,726 and resulted in an economic gain of \$623,850.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(9) Defeased Bonds Outstanding

In prior years, the District defeased certain bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2019, the Refunding Revenue Bonds – Series 2010, which were refunded in 2017, were the only bonds defeased with an outstanding balance of \$6,360,000.

(10) Employees' Retirement Plan

Plan Description. The District participates in a cost-sharing, multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling TRS at (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but

McLennan County Junior College District

Notes to Financial Statements (Continued)

(10) Employees' Retirement Plan (continued)

the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas legislature as noted in the plan description above.

Contributions. Contribution requirements are established or amended pursuant to Article XVI, Sec. 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employee contribution rates for fiscal years 2018 and 2019. Contribution rates were as follows:

<u>Year</u>	<u>Member</u>		<u>State</u>		<u>District</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2019	7.7%	\$ 1,821,923	6.8%	\$ 498,955	6.8%	\$ 1,046,048
2018	7.7%	1,630,252	6.8%	458,708	6.8%	931,282
2017	7.7%	1,521,103	6.8%	423,194	6.8%	884,894

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid

McLennan County Junior College District

Notes to Financial Statements (Continued)

(10) Employees' Retirement Plan (continued)

by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees, and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions:

	Valuation Date	
	August 31, 2017 rolled forward to August 31, 2018	August 31, 2017
Actuarial cost method	Individual entry age, normal	Individual entry age, normal
Asset valuation method	5 year market value	5 year market value
Actuarial assumptions:		
Discount rate	6.907%	8.00%
Long-term expected investment rate of return	7.25% (includes inflation of 2.3%)	8% (includes inflation of 2.5%)
Salary increases	3.05% to 9.05% (includes inflation of 2.3%)	3.5% to 9.5% (includes inflation of 2.5%)
Benefit changes during the year	None	None
Ad hoc post-employment benefit changes	None	None

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(10) Employees' Retirement Plan (continued)

The 2018 and 2017 actuarial methods and assumptions are primarily based on a study of actuarial experience for the three-year period ending August 31, 2017 and adopted in July 2018.

Discount Rate. The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation *	Long-Term Expected Arithmetical Real Rate of Return	Expected Contribution to Long-term Portfolio Returns
Global Equity:			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value:			
U.S. Treasuries	11.0%	1.1%	0.1%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return:			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Risk Parity:			
Risk Parity	5.0%	3.7%	0.2%

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(10) Employees' Retirement Plan (continued)

Asset Class	Target Allocation *	Long-Term Expected Arithmetical Real Rate of Return	Expected Contribution to Long-term Portfolio Returns
Inflation Expectation			2.3%
Volatility Drag **			-0.8%
Total	100%		7.2%

* Target allocations are based on the FY2016 policy model.

** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 net pension liability:

	1% Decrease (5.907%)	Current Rate (6.907%)	1% Increase (7.907%)
District's proportionate share of the net pension liability	\$ <u>23,486,372</u>	<u>15,561,725</u>	<u>9,146,250</u>

The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 net pension liability:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
District's proportionate share of the net pension liability	\$ <u>14,911,076</u>	<u>8,845,093</u>	<u>3,794,174</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019 and 2018, the District reported a liability of \$15,561,725 and \$8,845,093, respectively, for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(10) Employees' Retirement Plan (continued)

provided to the District. The amount recognized by the District at August 31, 2019 and 2018 as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District is as follows:

	2019	2018
District's proportionate share of the net pension liability	\$ 15,561,725	8,845,093
State's proportionate share of the net pension liability associated with the District	8,157,571	4,484,587
Total	\$ 23,719,296	13,329,680

The 2019 net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating employers and the State to the plan for the period September 1, 2017 to August 31, 2018. The District's proportion of the collective net pension liability was 0.028% which was an increase of 0.0006% from its proportion measured as of August 31, 2017.

The 2018 net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating employers and the State to the plan for the period September 1, 2016 to August 31, 2017. The District's proportion of the collective net pension liability was 0.027% which was an increase of 0.0009% from its proportion measured as of August 31, 2016.

For the years ended August 31, 2019 and 2018, the District recognized total pension expense of \$1,384,973 and \$80,580, respectively. Of the total pension expense, for the measurement periods ended August 30, 2018 and 2017, the District recognized pension expense of \$807,382 and \$342,066, respectively, and revenue of \$498,955 and \$458,708, respectively, for support provided by the State.

Changes Since the 2017 Actuarial Valuation: The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(10) Employees' Retirement Plan (continued)

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907 % as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

At August 31, 2019 and 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 96,999	381,823
Changes in actuarial assumptions	5,610,751	175,336
Differences between projected and actual investment earnings, net	-	295,272
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	392,528	686,651
Contributions paid to TRS subsequent to the measurement date	1,046,048	-
Total	\$ 7,146,326	1,539,082

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(10) Employees' Retirement Plan (continued)

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 129,408	477,004
Changes in actuarial assumptions	402,908	230,655
Differences between projected and actual investment earnings, net	-	644,611
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	261,486	904,611
Contributions paid to TRS subsequent to the measurement date	931,282	-
Total	\$ 1,725,084	2,256,881

The \$1,046,048 reported as deferred outflows of resources at August 31, 2019 related to contributions paid to TRS subsequent to the measurement date at August 31, 2018 will be recognized as a reduction of the net pension liability in fiscal year 2020.

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended August 31,	Pension Expense
2020	\$ 1,101,258
2021	479,890
2022	358,072
2023	990,089
2024	995,950
Thereafter	635,937

Optional Retirement Program. The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program (ORP) is in lieu of participation in TRS. ORP provides for the purchase of annuity contracts. The state legislature limits the state contribution rate to 50% of the member rate. The percentages of participant salaries currently contributed by the state and each participant are 3.3% and 6.6%, respectively. The District supplements an additional 5.2%. Since these are individual annuity contracts, the state and the District have no additional or unfunded liability for this program.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(10) Employees' Retirement Plan (continued)

Actual Funding. Contribution rates as a percentage of compensation and contributions made for ORP for 2017, 2018 and 2019 are shown in the table below.

<u>Year</u>	Member		State	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2019	6.6%	\$ 644,445	3.3%	\$ 321,132
2018	6.6%	695,664	3.3%	343,874
2017	6.6%	731,211	3.0%	326,375

The total payroll for all College employees was \$37,511,020, \$35,716,488, and \$34,639,834 for the years ended August 31, 2019, 2018, and 2017, respectively. The total payroll of employees covered by ORP was \$9,764,324, \$10,540,367, and \$11,078,956 for the years ended August 31, 2019, 2018, and 2017, respectively.

(11) Compensated Absences

Full-time employees earn annual leave of 6.67 hours per month. The District's policy is that any employee may carry accrued leave forward from one fiscal year to another fiscal year with a maximum number of paid hours upon termination of 160. The District recognized an accrued liability for the unpaid annual leave of \$691,398 and \$620,213 at both August 31, 2019 and 2018, respectively. It is the District's policy to classify the entire amount of compensated absences as a current liability since substantially all is used in the following fiscal year and is reflected as such in the accompanying Statements of Net Position. Sick leave, which can be accumulated up to 960 hours, is earned at the rate of eight hours per month. The District's policy is to recognize the cost of sick leave when paid. A liability for unpaid sick leave is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal and benefits are not vested.

(12) Operating Lease Commitments

The District leases certain equipment under operating leases through 2023. Included in operating expenses for the years ended August 31, 2019 and 2018 is \$22,247 and \$37,706, respectively, of rent paid or due under these operating leases. Minimum future rental payments under these noncancelable operating leases having remaining terms in excess of one year as of August 31, 2019 follow: \$28,651 for each of the fiscal years 2020 through 2022; and \$14,305 for 2023.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(13) Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years. The District has established a limited risk management program for workers' compensation. A liability for workers' compensation claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess commercial insurance policy covers individual workers' compensation claims in excess of \$188,539. The claim liability includes an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Estimated future payments for incurred claims are charged to operating expenses. Changes in the balance of claims liability included in accrued liabilities during the past two years are as follows:

	2019	2018
Unpaid claims, beginning of year	\$ 200,628	200,628
Incurred claims (including IBNR) and changes to prior year estimates	(109,916)	(67,180)
Claim payments	109,916	67,180
Unpaid claims, end of year	\$ 200,628	200,628

(14) Other Post-Employment Benefits (OPEB)

Plan Description. The District participates in a cost-sharing, multiple-employer, OPEB plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(14) Other Post-Retirement Benefits (OPEB) (continued)

OPEB Plan Fiduciary Net Position. Detailed information about the GBP's fiduciary net position is available in a separately-issued ERS Comprehensive Annual Financial Report that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained on the internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>, or by writing to ERS at Employees Retirement System of Texas, 200 E. 18th Street, Austin, Texas, 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

Benefits Provided. Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the employer and retirees are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(14) Other Post-Employment Benefits (OPEB) (continued)

	<u>2018</u>	<u>2017</u>
Retiree only	\$ 621.90	617.30
Retiree & Spouse	1,334.54	970.98
Retiree & Children	1,099.06	854.10
Retiree & Family	1,811.70	1,207.78

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

<u>Year</u>	<u>State Amount</u>	<u>District Amount</u>
2019	\$ 984,805	\$ 1,186,782
2018	922,735	1,127,197
2017	834,655	1,034,845

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	<u>Valuation Date</u>	
	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Actuarial cost method:	Entry age normal	Entry age normal
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period	30 year	30 year
Actuarial assumptions:		
Discount rate	3.96%	3.51%
Salary increases	2.5% to 9.5% (includes inflation of 2.5%)	2.5% to 9.5% (includes inflation of 2.5%)
Annual healthcare trend rates	7.3% for fiscal year 2020, 7.4% for fiscal year 2021, 7.00% for fiscal year 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for fiscal year 2027 and later years	8.5% for fiscal year 2019 decreasing 0.5% per year to an ultimate rate of 4.5% for fiscal year 2027 and later years
Mortality Assumptions:		
Service Retirees, Survivors, and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014
Disability Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 10 female members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 10 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(14) Other Post-Employment Benefits (OPEB) (continued)

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2017 for higher education members.

Investment Policy. The SRHP is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The ERS's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

Discount Rate. Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.51%. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of 0.45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating. Projected cash flows into the plan are equal to projected benefit payments of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis. The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.96%) in measuring the 2018 net OPEB liability:

	1% Decrease (2.96%)	Current Rate (3.96%)	1% Increase (4.96%)
District's proportionate share of the 2018 net OPEB liability	\$ 47,814,314	40,273,748	34,566,394

The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.51%) in measuring the 2017 net OPEB liability:

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(14) Other Post-Employment Benefits (OPEB) (continued)

	1% Decrease (2.51%)	Current Rate (3.51%)	1% Increase (4.51%)
District's proportionate share of the 2017 net OPEB liability	\$ <u>44,632,314</u>	<u>37,389,647</u>	<u>31,779,557</u>

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (7.3% decreasing to 4.5%) in measuring the 2018 net OPEB liability:

	Current Healthcare Cost Trend Rates (6.3% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (7.3% decreasing to 4.5%)	Current Healthcare Cost Trend Rates (8.3% decreasing to 5.5%)
District's proportionate share of the 2018 net OPEB liability	\$ <u>34,106,662</u>	<u>40,273,748</u>	<u>48,229,312</u>

The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (8.5% decreasing to 4.5%) in measuring the 2017 net OPEB liability:

	Current Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (8.5% decreasing to 4.5%)	Current Healthcare Cost Trend Rates (9.5% decreasing to 5.5%)
District's proportionate share of the 2017 net OPEB liability	\$ <u>31,432,352</u>	<u>37,389,647</u>	<u>45,119,579</u>

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(14) Other Post-Employment Benefits (OPEB) (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2019 and 2018, the District reported a liability of \$40,273,748 and \$37,389,647, respectively, for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District at August 31, 2019 and 2018 as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

	<u>2019</u>	<u>2018</u>
District's proportionate share of the net OPEB liability	\$ 40,273,748	37,389,647
State's proportionate share of the net OPEB liability associated with the District	<u>1,894,980</u>	<u>1,796,614</u>
Total	<u>\$ 42,168,728</u>	<u>39,186,261</u>

The 2019 net OPEB liability was measured as of August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 to August 31, 2018. At the measurement date of August 31, 2018, the District's proportion of the collective net OPEB liability was 0.1359%, which was an increase of 0.0262% from its proportion measured as of August 31, 2017.

The 2018 net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 to August 31, 2017. At the measurement date of August 31, 2017, the District's proportion of the collective net OPEB liability was 0.1097%, which was the same proportion measured as of August 31, 2016.

For the years ended August 31, 2019 and 2018, the District recognized total OPEB expense of \$574,411 and \$2,573,028, respectively. Of the total expense, for the measurement period ended August 31, 2018 and 2017, the District recognized OPEB expense (benefit) of (\$11,265) and \$1,699,278, respectively, and revenue of \$984,804 and \$834,656, respectively, for support provided by the State.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(14) Other Post-Employment Benefits (OPEB) (continued)

Changes Since the 2017 Actuarial Valuation: The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period.

Demographic Assumptions: Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary. In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

Economic Assumptions: Assumptions for expenses, assumed per capita health benefit costs and health benefit cost and retiree contribution and expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

The discount rate was changed from 3.51% to 3.96% as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Benefit Terms: Minor benefit changes described below have been reflected in the fiscal year 2019 assumed benefit revisions have been adopted since the prior valuation. The only benefit change for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,550 to \$6,650 for individuals and from \$13,100 to \$13,300 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the fiscal year 2019 assumed per capita health benefit costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is primary.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(14) Other Post-Employment Benefits (OPEB) (continued)

At August 31, 2019 and 2018, the District reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	1,475,500
Changes in actuarial assumptions	-	14,113,022
Differences between projected and actual investment earnings	19,072	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	9,551,748	-
Contributions paid to ERS subsequent to the measurement date	1,189,289	-
Total	\$ 10,760,109	15,588,522
	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	449,304
Changes in actuarial assumptions	-	7,817,728
Differences between projected and actual investment earnings	11,070	-
Contributions paid to ERS subsequent to the measurement date	1,127,197	-
Total	\$ 1,138,267	8,267,032

The \$1,189,289 reported as deferred outflows of resources related to contributions paid to ERS subsequent to the measurement date at August 31, 2018 will be recognized as a reduction of the net OPEB liability in fiscal year 2020.

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended August 31,	OPEB Expense
2020	\$ (1,888,155)
2021	(1,888,155)
2022	(1,888,155)
2023	(600,390)
2024	247,153

McLennan County Junior College District

Notes to Financial Statements (Continued)

(15) Related Parties

During the years ended August 31, 2019 and 2018, the District furnished office space, utilities and staffing amounting to approximately \$307,000, and \$284,000, respectively, at no cost to the Foundation.

(16) Ad Valorem Property Taxes

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real, business and personal property located in the District as follows:

	2019	2018
Assessed valuation of the District	\$ 23,089,333,970	21,085,156,838
Less: Exemptions	5,457,148,248	5,052,283,735
Net assessed valuation of the District	\$ 17,632,185,722	16,032,873,103

Tax rates authorized and assessed during fiscal year 2019 are as follows:

	Current Operations	Debt Service	Total
Tax rate per \$100 valuation authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.115430	0.032266	0.147696

Tax rates authorized and assessed during fiscal year 2018 were as follows:

	Current Operations	Debt Service	Total
Tax rate per \$100 valuation authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.115041	0.035305	0.150346

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(16) Ad Valorem Property Taxes (continued)

Taxes levied for the year ended August 31, 2019 are \$26,522,178. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Tax collections for the year ended August 31, 2019 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 20,236,064	5,656,336	25,892,400
Delinquent taxes collected	161,737	54,975	216,712
Penalties and interest collected	<u>182,404</u>	<u>56,120</u>	<u>238,524</u>
Total collections	<u>\$ 20,580,205</u>	<u>5,767,431</u>	<u>26,347,636</u>

Taxes levied for the year ended August 31, 2018 were \$24,722,291. Tax collections for the year ended August 31, 2018 were as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 18,668,433	5,729,163	24,397,596
Delinquent taxes collected	177,744	65,167	242,911
Penalties and interest collected	<u>173,541</u>	<u>59,176</u>	<u>232,717</u>
Total collections	<u>\$ 19,019,718</u>	<u>5,853,506</u>	<u>24,873,224</u>

Current tax collections for each of the years ended August 31, 2019 and 2018 were approximately 95% of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(17) Tax Abatements

The District enters into property tax abatement agreements with local businesses in conjunction with those entered into by the City of Waco, Texas (the City). The City Council grants abatements for the City when they create economic development opportunities. The District is able to approve a similar abatement to what was approved by the City with terms commensurate with their taxing authority.

For the fiscal years ended August 31, 2019 and 2018, the District, did not enter into any tax abatement agreements.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(18) Budgets

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The budget, which is prepared on the accrual basis of accounting, is adopted by the District's Board of Trustees. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

(19) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2019 or 2018.

The Foundation is an organization generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

(20) Commitments and Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Effective May 27, 2008, the District entered into a ten-year agreement with a corporation for the management and operation of its bookstore. The agreement provides for the District to receive a percentage of gross revenues from the operation of the bookstore. The agreement was renewed effective June 9, 2018 for an additional ten year term.

(21) Contracts and Grants

Contract and grant revenues are recognized as earned in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Position. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(21) Contracts and Grants (continued)

statements. Such contract and grant awards already committed total \$1,783,025 and \$1,593,313 at August 31, 2019 and 2018, respectively, for federal contract and grant awards; \$188,406 and \$179,214 at August 31, 2019 and 2018, respectively, for state contract and grant awards; \$84,895 and \$-0- August 31, 2018 and 2017, respectively for local contract and grant awards.

(22) Business Concentrations

The District generally serves the McLennan County area; consequently, it is impacted by the general economy of the area. Also, the District receives a substantial portion of its funding from federal and state sources; consequently, the District is dependent upon continued funding from these sources.

(23) Authoritative Pronouncements Not Yet Effective

The following pronouncements were issued by the Governmental Accounting Standards Board (GASB) which may impact the District but are not yet effective. The District has not yet determined the effects of the adoption on its financial statements.

GASB Statement No. 84, *Fiduciary Activities* (issued January 2017) – the objective of this statement is to enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases* (issued June 2017) – the objective of this statement is to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The statement will also require notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(23) Authoritative Pronouncements Not Yet Effective (continued)

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period (issued June 2018) – the objective of this statement is to simplify accounting for interest cost incurred before the end of a construction period. It will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019.

(24) Subsequent Events

The District has evaluated subsequent events from the date of the statements of net position through November 26, 2019, the date on which the financial statements were available to be issued, and has determined that there are no items to disclose.

Required Supplementary Information

McLennan County Junior College District

Schedule of the District's Proportionate Share of the Net Pension Liability

Last Ten Years

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.000282722	0.000276629	0.000267743	0.000273359	0.000315418
District's proportionate share of the net pension liability	\$ 15,561,725	8,845,093	10,117,620	9,733,576	8,425,251
State's proportionate share of the net pension liability associated with the District	<u>8,157,571</u>	<u>4,484,587</u>	<u>5,023,253</u>	<u>5,097,186</u>	<u>4,294,738</u>
Total	<u>\$ 23,719,296</u>	<u>13,329,680</u>	<u>15,140,873</u>	<u>14,830,762</u>	<u>12,719,989</u>
District's covered payroll	<u>\$ 21,172,101</u>	<u>19,754,585</u>	<u>18,323,250</u>	<u>18,057,981</u>	<u>17,546,985</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>73.5%</u>	<u>44.8%</u>	<u>55.2%</u>	<u>53.9%</u>	<u>48.0%</u>
Plan's fiduciary net position as a percentage of the total pension liability	<u>82.2%</u>	<u>82.2%</u>	<u>78.0%</u>	<u>78.4%</u>	<u>83.3%</u>

Note:

Information for fiscal years prior to 2015 is not available.

See accompanying independent auditor's report.

McLennan County Junior College District
Schedule of the District's Contributions to the
Teacher Retirement System of Texas

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$ 1,046,048	931,282	884,894	829,573	803,507	799,672	786,873	724,308	939,260	916,970
Contributions in relation to the contractually required contribution	1,046,048	931,282	884,894	829,573	803,507	799,672	786,873	724,308	939,260	916,970
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 23,661,343	21,172,101	19,754,585	18,323,250	18,057,981	17,546,985	17,323,138	16,758,099	16,738,034	16,010,503
Contributions as a percentage of covered payroll	\$ 4.42%	4.40%	4.48%	4.53%	4.45%	4.56%	4.54%	4.32%	5.61%	5.73%

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of the District's Proportionate Share of the Net OPEB Liability

Last Ten Years

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.001358867	0.001097339
District's proportionate share of the net OPEB liability	\$ 40,273,748	37,389,647
State's proportionate share of the net OPEB liability associated with the District	<u>1,894,980</u>	<u>1,796,614</u>
Total	<u>\$ 42,168,728</u>	<u>39,186,261</u>
District's covered payroll	<u>\$ 27,333,296</u>	<u>26,351,878</u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>147.3%</u>	<u>141.9%</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	<u>1.3%</u>	<u>2.0%</u>

Note:

Information for fiscal years prior to 2018 is not available.

McLennan County Junior College District

Schedule of the District's Contributions to the
Employee Retirement System of Texas

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$ 1,186,782	1,127,197	1,034,845	840,485	800,432	128,812	109,335	102,549	105,565	89,229
Contributions in relation to the contractually required contribution	1,186,782	1,127,197	1,034,845	840,485	800,432	128,812	109,335	102,549	105,565	89,229
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 28,661,998	27,333,296	26,351,878	25,744,015	25,413,858	24,601,145	24,829,074	24,609,339	24,380,392	23,752,375
Contributions as a percentage of covered payroll	\$ 4.14%	4.12%	3.93%	3.26%	3.15%	0.52%	0.44%	0.42%	0.43%	0.38%

See accompanying independent auditor's report and notes to required supplementary information – Employee Retirement System of Texas.

McLennan County Junior College District

Notes to Required Supplementary Information – Employee Retirement System of Texas

Year Ended August 31, 2019

(1) Changes in Benefit Terms

Any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, the latest valuation reflects the benefit changes that became effective September 1, 2018, since these changes were communicated to plan members in advance of the preparation of the latest valuation report.

The only benefit change for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,550 to \$6,650 for individuals and from \$13,100 to \$13,300 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the fiscal year 2019 assumed per capita health benefit costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is primary.

(2) Changes in Assumptions

Demographic Assumptions. Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary. In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

Economic Assumptions: Assumptions for expenses, assumed per capita health benefit costs and health benefit cost and retiree contribution and expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

The discount rate was changed from 3.51% to 3.96% as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Supplemental Information

McLennan County Junior College District

Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2019

(With Memorandum Totals for the Year Ended August 31, 2018)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2019	2018
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 14,145,111	-	14,145,111	-	14,145,111	14,202,440
Out-of-district resident tuition	4,197,810	-	4,197,810	-	4,197,810	4,156,978
Non-resident tuition	2,380,536	-	2,380,536	-	2,380,536	2,118,386
TPEG - credit (set aside)	1,134,843	-	1,134,843	-	1,134,843	1,125,390
State funded continuing education	448,271	-	448,271	-	448,271	620,884
TPEG - non-credit (set aside)	9,841	-	9,841	-	9,841	10,814
Non-state funded educational programs	28,642	-	28,642	-	28,642	25,319
Total tuition	<u>22,345,054</u>	<u>-</u>	<u>22,345,054</u>	<u>-</u>	<u>22,345,054</u>	<u>22,260,211</u>
Fees:						
Installment plan fees	73,525	-	73,525	-	73,525	79,975
Facility fees	1,136,416	-	1,136,416	-	1,136,416	1,127,527
General fees	568,208	-	568,208	-	568,208	563,763
Laboratory fees	1,004,771	-	1,004,771	-	1,004,771	951,723
Other fees	1,151,783	-	1,151,783	-	1,151,783	1,031,678
Total fees	<u>3,934,703</u>	<u>-</u>	<u>3,934,703</u>	<u>-</u>	<u>3,934,703</u>	<u>3,754,666</u>
Scholarship allowances and discounts:						
Remissions and exemptions	(2,509,746)	-	(2,509,746)	-	(2,509,746)	(2,308,382)
Title IV federal grants	(7,872,545)	-	(7,872,545)	-	(7,872,545)	(7,817,745)
TPEG awards	(1,011,843)	-	(1,011,843)	-	(1,011,843)	(994,102)
Other state grants	(343,996)	-	(343,996)	-	(343,996)	(312,359)
Other local grants	(1,087,957)	-	(1,087,957)	-	(1,087,957)	(1,089,614)
Total scholarship allowances	<u>(12,826,087)</u>	<u>-</u>	<u>(12,826,087)</u>	<u>-</u>	<u>(12,826,087)</u>	<u>(12,522,202)</u>
Total net tuition and fees	<u>13,453,670</u>	<u>-</u>	<u>13,453,670</u>	<u>-</u>	<u>13,453,670</u>	<u>13,492,675</u>
Additional operating revenues:						
Sales and services of educational activities	1,015,863	-	1,015,863	-	1,015,863	867,204
General operating revenues	137,057	-	137,057	-	137,057	212,770
Total additional operating revenues	<u>1,152,920</u>	<u>-</u>	<u>1,152,920</u>	<u>-</u>	<u>1,152,920</u>	<u>1,079,974</u>
Auxiliary enterprises:						
Bookstore (outsourced)	-	-	-	337,782	337,782	392,089
Other auxiliary enterprises	-	-	-	65,702	65,702	64,382
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,484</u>	<u>403,484</u>	<u>456,471</u>
Total operating revenues	<u>\$ 14,606,590</u>	<u>-</u>	<u>14,606,590</u>	<u>403,484</u>	<u>15,010,074</u>	<u>15,029,120</u>

In accordance with Education Code 56.033, \$1,144,684 and \$1,136,204 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2019 and 2018, respectively.

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Operating Expenses by Object
(Schedule B)

Year Ended August 31, 2019

(With Memorandum Totals for the Year Ended August 31, 2018)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2019	2018
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 23,082,501	-	4,007,094	1,966,288	29,055,883	28,504,002
Public service	150,233	-	21,793	188,246	360,272	419,814
Academic support	1,678,709	-	285,298	525,889	2,489,896	2,365,039
Student services	3,216,149	-	558,083	413,142	4,187,374	3,801,673
Institutional support	4,841,367	-	846,098	4,066,474	9,753,939	9,020,411
Operation and maintenance of plant	1,670,020	-	887,526	3,204,101	5,761,647	5,753,975
Scholarships and fellowships	-	-	-	3,499,026	3,499,026	3,306,224
Total unrestricted educational activities	<u>34,638,979</u>	<u>-</u>	<u>6,605,892</u>	<u>13,863,166</u>	<u>55,108,037</u>	<u>53,171,138</u>
Restricted - educational activities:						
Instruction	268,179	3,354,974	4,383	303,783	3,931,319	5,112,016
Public service	1,331,906	-	284,059	288,610	1,904,575	1,766,211
Academic support	94,655	253,785	-	32,353	380,793	377,832
Student services	266,446	467,458	67,068	281,519	1,082,491	1,109,557
Institutional support	52,028	703,679	9,296	219,493	984,496	1,053,815
Operation and maintenance of plant	11,889	-	-	-	11,889	15,930
Scholarships and fellowships	-	-	-	6,396,322	6,396,322	6,534,246
Total restricted educational activities	<u>2,025,103</u>	<u>4,779,896</u>	<u>364,806</u>	<u>7,522,080</u>	<u>14,691,885</u>	<u>15,969,607</u>
Total educational activities	<u>36,664,082</u>	<u>4,779,896</u>	<u>6,970,698</u>	<u>21,385,246</u>	<u>69,799,922</u>	<u>69,140,745</u>
Auxiliary enterprises	<u>846,938</u>	<u>-</u>	<u>371,239</u>	<u>1,328,177</u>	<u>2,546,354</u>	<u>2,005,867</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	3,583,588	3,583,588	3,622,021
Equipment and furniture	-	-	-	455,766	455,766	573,305
Library books	-	-	-	78,784	78,784	80,118
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,118,138</u>	<u>4,118,138</u>	<u>4,275,444</u>
Total operating expenses	<u>\$ 37,511,020</u>	<u>4,779,896</u>	<u>7,341,937</u>	<u>26,831,561</u>	<u>76,464,414</u>	<u>75,422,056</u>

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Nonoperating Revenues and Expenses
(Schedule C)

Year Ended August 31, 2019

(With Memorandum Totals for the Year Ended August 31, 2018)

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2019	2018
Nonoperating revenues:					
State appropriations:					
Education and general state support	\$ 12,347,259	-	-	12,347,259	12,347,526
State group insurance	-	3,131,371	-	3,131,371	4,704,917
State retirement matching	-	1,627,469	-	1,627,469	1,145,747
Hazelwood Legacy Act	32,576	-	-	32,576	43,157
Total state appropriations	<u>12,379,835</u>	<u>4,758,840</u>	<u>-</u>	<u>17,138,675</u>	<u>18,241,347</u>
Maintenance ad valorem taxes	20,175,004	-	-	20,175,004	18,534,740
Debt service ad valorem taxes	-	5,648,591	-	5,648,591	5,691,315
Federal grants and contracts	-	20,420,431	-	20,420,431	19,903,058
State grants and contracts	-	1,487,941	-	1,487,941	1,949,263
Local grants and contracts	232,828	-	-	232,828	151,609
Investment income	361,242	118,043	-	479,285	318,355
Gifts	298,883	-	-	298,883	400,478
Total nonoperating revenues	<u>33,447,792</u>	<u>32,433,846</u>	<u>-</u>	<u>65,881,638</u>	<u>65,190,165</u>
Nonoperating expenses:					
Interest on capital related debt	-	2,545,478	-	2,545,478	2,414,070
Loss on disposal of capital assets	-	-	-	-	64,407
Gift expense	-	-	-	-	385,847
Other nonoperating expenses	-	152,029	-	152,029	173,832
Total nonoperating expenses	<u>-</u>	<u>2,697,507</u>	<u>-</u>	<u>2,697,507</u>	<u>3,038,156</u>
Net nonoperating revenues	<u>\$ 33,447,792</u>	<u>29,736,339</u>	<u>-</u>	<u>63,184,131</u>	<u>62,152,009</u>

See accompanying independent auditor's report.

McLennan County Junior College District
Schedule of Net Position by Source and Availability
(Schedule D)
Year Ended August 31, 2019

	Detail by Source				Available for Current Operation		
	Unrestricted	Restricted		Net Investment in Capital Assets	Total	Yes	No
		Expendable	Non- Expendable				
Current:							
Unrestricted	\$ (40,587,641)	-	-	-	(40,587,641)	(40,587,641)	-
Scholarships and fellowships	-	1,606,771	-	-	1,606,771	-	1,606,771
Loan	(54,782)	-	-	-	(54,782)	-	(54,782)
Plant:							
Capital projects	63,343	6,023,269	-	-	6,086,612	-	6,086,612
Debt service	947,349	2,686,882	-	-	3,634,231	-	3,634,231
Investment in plant	(2,502,943)	-	-	45,097,276	42,594,333	-	42,594,333
Total net position, August 31, 2019	(42,134,674)	10,316,922	-	45,097,276	13,279,524	(40,587,641)	53,867,165
Total net position, August 31, 2018	(41,183,191)	3,443,703	-	49,289,221	11,549,733	(40,339,059)	51,888,792
Net increase (decrease) in net position	\$ (951,483)	6,873,219	-	(4,191,945)	1,729,791	(248,582)	1,978,373

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Expenditures of Federal Awards (Schedule E)

Year Ended August 31, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education:</u>				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Education Opportunity Grant Program	84.007		\$ -	\$ 287,054
Federal Work Study Program	84.033		-	208,244
Federal Pell Grant Program	84.063		-	16,696,457
Federal Direct Student Loans	84.268		-	10,866,224
Total Student Financial Assistance Cluster			-	28,057,979
TRIO Cluster:				
TRIO - Student Support Services	84.042A		-	420,077
TRIO - Upward Bound	84.047A		-	424,976
Total TRIO Cluster			-	845,053
Total Direct Programs			-	28,903,032
Pass Through From:				
Texas Workforce Commission:				
Adult Education & Family Literacy Act	84.002A	1318ALA000	-	765,783
Total Adult Education & Family Literacy Act			-	765,783
Texas Higher Education Coordinating Board:				
Vocational Education - State Basic Grant Program	84.048	20735	-	106,350
Vocational Education - State Basic Grant Program	84.048	20778	-	597,094
Total Vocational Education - State Basic Grant Program			-	703,444
Total U. S. Department of Education			-	30,372,259
<u>Institute of Museum and Library Services</u>				
Pass Through From:				
Texas State Library and Archives Commission Interlibrary Loan Lends	45.310	901294	-	1,809
Total Institute of Museum and Library Services			-	1,809
<u>National Science Foundation</u>				
Pass Through From:				
Enhancing Network and Cybersecurity Technician Careers in Collaboration with Industry	47.076	1801147	-	109,872
Total National Science Foundation			-	109,872
<u>U. S. Small Business Administration</u>				
Pass Through From:				
Dallas County Community College District:				
Small Business Development Center	59.037	SBAHQ-18-B-0005	-	13,792
Small Business Development Center	59.037	SBAHQ-19-B-0021	-	185,233
Total U. S. Small Business Administration			-	199,025

McLennan County Junior College District

Schedule of Expenditures of Federal Awards
(Schedule E)

(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U. S. Department of Veterans Affairs</u>				
Direct Program:				
Post 9/11 Veterans Educational Assistance	64.027		-	463,245
Total U. S. Department of Veterans Affairs			-	463,245
<u>U. S. Department of Health and Human Services</u>				
Pass Through From:				
Texas Workforce Commission:				
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	1318ALA000	-	68,074
Total TANF Cluster			-	68,074
HOT Workforce Development Board:				
CCDF Cluster:				
Childcare Quality Improvement	93.596	1318CCMC14	-	1,277
Total CCDF Cluster			-	1,277
Total U.S. Department of Health and Human Services			-	69,351
<u>Corporation for National and Community Service</u>				
Direct Programs:				
Heart of Texas Retired Senior Volunteer Program	94.002	17SRWTX008	-	71,094
Total Corporation for National and Community Service			-	71,094
Total Federal Awards			\$ -	\$ 31,286,655

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

McLennan County Junior College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2019

(1) Federal Revenue Reconciliation

Federal revenues for 2019 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 20,420,431
Add: Federal Direct Student Loans made	<u>10,866,224</u>
Total per Schedule of Expenditures of Federal Awards	<u>\$ 31,286,655</u>

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of McLennan County Junior College District (the District) under programs of the federal government for the year ended August 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for States, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(4) Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

McLennan County Junior College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2019

Grantor Agency/Program Title	Grant Contract Number	Passed Through to Subrecipients	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board			
State Work Study		\$ -	\$ 50,148
Nursing Shortage Reduction Regular Programs		-	4,605
Texas Education Opportunity Grant		-	741,759
Comprehensive College Readiness and Success Models	17420	-	94,582
Comprehensive College Readiness and Success Models	20520	-	32,947
CAL Loans		-	99,797
Challenge Scholarship Program		-	26,112
Total Texas Higher Education Coordinating Board		<u>-</u>	<u>1,049,950</u>
Texas Workforce Commission			
Manufacturing Consortium 2018	1318SDF001	-	211,054
Skills Development	1317SSD001	-	28,371
Skills Development	1319SSD001	-	17,864
Adult Education & Family Literacy Act	1318ALA000	-	103,789
Total Texas Workforce Commission		<u>-</u>	<u>361,078</u>
Small Business Development Center			
Small Business Development Center	SBAHQ-18-B-0005	-	12,230
Small Business Development Center	SBAHQ-19-B-0021	-	104,966
Total Small Business Development Center		<u>-</u>	<u>117,196</u>
Texas Department on Aging			
RSVP	17SRWTX034	-	59,514
Total State Awards		\$ <u>-</u>	\$ <u>1,587,738</u>

See accompanying independent auditor's report and notes to schedule of expenditures of state awards.

McLennan County Junior College District

Notes to Schedule of Expenditures of State Awards

Year Ended August 31, 2019

(1) State Revenue Reconciliation

State revenues for 2019 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ 1,487,941
Add: CAL Loans made	<u>99,797</u>
Total per Schedule of Expenditures of State Awards	<u>\$ 1,587,738</u>

(2) Basis of Presentation

The accompanying Schedule of Expenditures of State Awards (the Schedule) includes the state grant activity of McLennan County Junior College District (the District) under programs of the state government for the year ended August 31, 2019. The information in this Schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular* contained in the state's *Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the state's *Uniform Grant Management Standards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Statistical Section

Statistical Section

Financial Trends Information

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- Net Position by Component
- Revenues by Source
- Expenses by Function and Changes in Net Position

Revenue Capacity Information

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its primary revenues.

- Tuition and Fees
- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Taxpayers
- Property Tax Levies and Collections

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the District's current levels of debt and the District's ability to issue additional debt in the future.

- Ratios of Outstanding Debt by Type
- Legal Debt Margin Information
- Pledged Revenue Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with each other.

- Demographic and Economic Statistics
- Principal Employers

Operating Information

These schedules contain other information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

- State Appropriations - Operating Information
- Faculty, Staff, and Administrators Statistics
- Enrollment Details
- Student Profile
- Student Transfers to Senior Institutions
- Capital Asset Information

McLennan County Junior College District

Net Position by Component

Last Ten Fiscal Years
(dollars expressed in thousands)
(Unaudited)

	For the Year Ended August 31,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net investment in capital assets	\$ 45,097	49,289	47,878	46,140	44,495	42,479	40,711	37,524	37,903	33,238
Restricted	10,317	3,444	2,837	2,698	2,542	3,166	2,850	2,587	2,227	5,101
Unrestricted	<u>(42,135)</u>	<u>(41,183)</u>	<u>2,720</u>	<u>3,152</u>	<u>2,899</u>	<u>12,008</u>	<u>11,033</u>	<u>9,957</u>	<u>5,306</u>	<u>4,189</u>
 Total primary government net position	 \$ <u>13,279</u>	 <u>11,550</u>	 <u>53,435</u>	 <u>51,990</u>	 <u>49,936</u>	 <u>57,653</u>	 <u>54,594</u>	 <u>50,068</u>	 <u>45,436</u>	 <u>42,528</u>

Note:

It is not practical for the District to restate years prior to 2011 for adoption of GASB 65 in fiscal year 2013 which results in bond issuance costs being expensed in full rather than amortized over the life of the related debt.

It is not practical for the District to restate years prior to 2015 for adoption of GASB 68 and 71 in fiscal year 2015 which results in the recording of net pension liability and related deferred inflows and outflows of resources and pension expense for the retirement plan with the Teacher Retirement System of Texas.

It is not practical for the District to restate years prior to 2018 for adoption of GASB 75 in fiscal year 2018 which results in the recording of net OPEB liability and related deferred inflows and outflows of resources and OPEB expense for the OPEB plan with the Employees Retirement System of Texas.

McLennan County Junior College District Expenses by Function and Changes in Net Position

Last Ten Fiscal Years (Unaudited)

	For the Year Ended August 31, (dollars expressed in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating expenses:										
Instruction	\$ 32,987	33,616	30,934	32,344	31,286	31,310	32,287	31,206	31,273	28,071
Public service	2,265	2,186	2,058	1,912	1,806	1,890	1,741	1,705	1,801	1,785
Academic support	2,871	2,743	2,489	2,526	2,775	2,740	2,591	2,374	2,062	2,049
Student services	5,270	4,911	4,384	4,148	3,932	3,753	3,658	3,494	3,726	3,428
Institutional support	10,738	10,074	9,466	8,962	9,123	8,693	8,707	8,372	8,244	7,854
Operation and maintenance of plant	5,774	5,770	5,760	5,270	5,335	5,409	5,356	5,164	5,570	5,311
Scholarships and fellowships	9,895	9,841	9,459	10,497	11,827	12,092	14,264	16,911	19,464	16,715
Auxiliary enterprises	2,546	2,006	2,011	1,718	1,638	1,619	1,580	1,572	1,528	1,531
Depreciation	4,118	4,275	4,300	3,897	4,196	4,128	4,030	3,886	3,564	3,451
Total operating expenses	76,464	75,422	70,861	71,274	71,918	71,634	74,214	74,684	77,232	70,195
Nonoperating expenses:										
Interest on capital related debt	2,546	2,414	2,763	2,970	3,434	3,950	4,189	4,584	4,292	4,664
Loss on disposal of fixed assets	-	64	-	322	-	58	19	-	49	6
Gift expense	-	386	-	-	-	-	-	-	-	-
Other nonoperating expenses	152	174	4	9	543	4	253	10	40	103
Total nonoperating expenses	2,698	3,038	2,767	3,301	3,977	4,012	4,461	4,594	4,381	4,773
Total expenses	\$ 79,162	78,460	73,628	74,575	75,895	75,646	78,675	79,278	81,613	74,968
Change in net position	\$ 1,730	1,759	1,445	2,054	1,828	3,059	4,526	4,632	4,248	1,378

	For the Year Ended August 31,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating expenses:										
Instruction	41.67%	42.84%	42.01%	43.37%	41.22%	41.39%	41.04%	39.36%	38.32%	37.44%
Public service	2.86%	2.79%	2.80%	2.56%	2.38%	2.50%	2.21%	2.15%	2.21%	2.38%
Academic support	3.63%	3.50%	3.38%	3.39%	3.66%	3.62%	3.29%	2.99%	2.53%	2.73%
Student services	6.66%	6.26%	5.95%	5.56%	5.18%	4.96%	4.65%	4.41%	4.57%	4.57%
Institutional support	13.56%	12.84%	12.86%	12.02%	12.02%	11.49%	11.07%	10.56%	10.10%	10.48%
Operation and maintenance of plant	7.29%	7.35%	7.82%	7.07%	7.03%	7.15%	6.81%	6.51%	6.82%	7.08%
Scholarships and fellowships	12.50%	12.54%	12.85%	14.08%	15.58%	15.98%	18.13%	21.33%	23.85%	22.30%
Auxiliary enterprises	3.22%	2.56%	2.73%	2.30%	2.16%	2.14%	2.01%	1.98%	1.87%	2.04%
Depreciation	5.20%	5.45%	5.84%	5.23%	5.53%	5.46%	5.12%	4.90%	4.37%	4.60%
Total operating expenses	96.59%	96.13%	96.24%	95.57%	94.76%	94.70%	94.33%	94.21%	94.63%	93.63%
Nonoperating expenses:										
Interest on capital related debt	3.22%	3.08%	3.75%	3.98%	4.52%	5.22%	5.32%	5.78%	5.26%	6.22%
Loss on disposal of fixed assets	0.00%	0.08%	0.00%	0.43%	0.00%	0.08%	0.02%	0.00%	0.06%	0.01%
Gift expense	0.00%	0.49%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other non-operating expenses	0.19%	0.22%	0.01%	0.01%	0.72%	0.01%	0.32%	0.01%	0.05%	0.14%
Total nonoperating expenses	3.41%	3.87%	3.76%	4.43%	5.24%	5.30%	5.67%	5.79%	5.37%	6.37%
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note:

It is not practical for the District to restate years prior to 2011 for adoption of GASB 65 in fiscal year 2013 which results in bond issuance costs being expensed in full rather than amortized over the life of the related debt.

It is not practical for the District to restate years prior to 2015 for adoption of GASB 68 and 71 in fiscal year 2015 which results in the recording of net pension liability and related deferred inflows and outflows of resources and pension expense for the retirement plan with the Teacher Retirement System of Texas.

It is not practical for the District to restate years prior to 2018 for adoption of GASB 75 in fiscal year 2018 which results in the recording of net OPEB liability and related deferred inflows and outflows of resources and OPEB expense for the OPEB plan with the Employees Retirement System of Texas.

McLennan County Junior College District Tuition and Fees

Last Ten Academic Years (Unaudited)

Resident Students
Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	In-District Tuition		Out-of-District Tuition	General Services Fees	Facility Fees	Technology Fee	Cost for 12 SCH		Increase from Prior Year		SCH Resident
	In-District Tuition	Out-of-District Tuition					In-District	Out-of-District	In-District	Out-of-District	
2018	\$ 106	124	124	3	6	-	1,380	1,596	-	-	136,987
2017	106	124	124	3	6	-	1,380	1,596	-	-	137,682
2016	106	124	124	3	6	-	1,380	1,596	-	-	137,033
2015	106	124	124	3	6	-	1,380	1,596	-	-	136,874
2014	106	124	124	3	6	-	1,380	1,596	-	-	132,964
2013	106	124	124	3	6	-	1,380	1,596	-	-	147,574
2012	106	124	124	3	6	-	1,380	1,596	7.48%	8.13%	164,400
2011	98	114	114	3	6	-	1,284	1,476	21.59%	20.59%	174,473
2010	79	93	93	3	6	-	1,056	1,224	20.55%	20.00%	164,345
2009	64	76	76	3	6	-	876	1,020	4.29%	3.66%	142,585

Non-Resident Students
Fees per Semester Credit Hour (SCH)

Academic Year	Tuition - Out of State		Tuition - International	General Services Fees	Facility Fees	Technology Fee	Cost for 12 SCH		Increase from Prior Year		SCH Non-Resident
	Out of State	International					Out of State	International	Out of State	International	
2018	\$ 181	181	181	3	6	-	2,280	2,280	-	-	49,709
2017	181	181	181	3	6	-	2,280	2,280	-	-	49,037
2016	181	181	181	3	6	-	2,280	2,280	-	-	49,046
2015	181	181	181	3	6	-	2,280	2,280	-	-	45,329
2014	181	181	181	3	6	-	2,280	2,280	-	-	54,909
2013	181	181	181	3	6	-	2,280	2,280	-	-	55,671
2012	181	181	181	3	6	-	2,280	2,280	5.56%	5.56%	56,344
2011	171	171	171	3	6	-	2,160	2,160	20.00%	20.00%	55,605
2010	141	141	141	3	6	-	1,800	1,800	12.78%	12.78%	49,000
2009	124	124	124	3	6	-	1,596	1,596	2.31%	2.31%	38,086

Note:
Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees.

McLennan County Junior College District
Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(dollars expressed in thousands)
(Unaudited)

Fiscal Year	Real Property	Personal and Other Property	Total Assessed Valuation of Property	Less: Abatements and Exemptions	Taxable Assessed Value	Ratio of Taxable Assessed Value to Assessed Value	Estimated Actual Value	Direct Tax Rate		
								Maintenance and Operations	Debt Service	Total
2019	\$ 19,899,921	3,189,413	23,089,334	5,457,148	17,632,186	76.37%	\$ 17,992,027	0.115431	0.032265	0.147696
2018	18,043,611	3,041,546	21,085,157	5,052,284	16,032,873	76.04%	16,360,074	0.115041	0.035305	0.150346
2017	17,561,465	3,004,333	20,565,798	4,975,661	15,590,137	75.81%	15,908,303	0.112102	0.036796	0.148898
2016	16,134,308	2,888,248	19,022,556	4,487,347	14,535,209	76.41%	14,831,846	0.108894	0.040830	0.149724
2015	15,115,891	2,699,317	17,815,208	4,072,246	13,742,962	77.14%	14,023,431	0.104343	0.045187	0.149530
2014	13,983,364	2,548,506	16,531,870	3,701,898	12,829,972	77.61%	13,091,808	0.103322	0.048208	0.151530
2013	13,531,650	2,700,629	16,232,279	3,585,542	12,646,737	77.91%	12,904,834	0.101199	0.050331	0.151530
2012	13,048,931	2,445,439	15,494,370	3,375,915	12,118,455	78.21%	12,365,770	0.100255	0.052568	0.152823
2011	12,228,481	2,342,980	14,571,461	3,091,195	11,480,266	78.79%	11,714,557	0.103439	0.052867	0.156306
2010	11,550,239	2,369,962	13,920,201	2,693,433	11,226,768	80.65%	11,455,886	0.104866	0.051466	0.156332

Source: McLennan County Appraisal District

Note: Taxable assessed value is approximately 98% of fair market value per McLennan County Appraisal District. Used this percentage to estimate actual value.

McLennan County Junior College District
Direct and Overlapping Property Tax Rates
per \$100 of Assessed Value

Last Ten Fiscal Years
(Unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
McLennan County Junior College District	\$ 0.1477	0.1503	0.1489	0.1497	0.1495	0.1515	0.1515	0.1528	0.1563	0.1563
Overlapping Rates	0.4853	0.5053	0.5053	0.0525	0.5353	0.5353	0.5353	0.4606	0.4427	0.4427
McLennan County	0.0248	0.0252	0.0252	0.0252	0.0252	0.0252	0.0252	0.0252	0.0237	0.0237
Special Districts:	0.0938	0.0960	0.0960	0.1000	0.1010	0.1010	0.1010	0.1000	0.1000	0.1000
McLennan and Hill Counties Tehuacana										
Creek Water Control and Improvement										
District No. 1										
Castleman Creek Special Improvement District										
Cities:										
Bellmead	0.3199	0.2999	0.2999	0.3038	0.3187	0.2986	0.2986	0.2986	0.3460	0.2656
Beverly Hills	0.4846	0.4902	0.4901	0.4902	0.4902	0.4527	0.4036	0.3625	0.3266	0.3299
Bruceville-Eddy	0.5000	0.5000	0.5000	0.4982	0.4982	0.4982	0.4982	0.4982	0.4841	0.4822
Crawford	0.4620	0.4999	0.5000	0.5000	0.5000	0.5000	0.5000	0.4999	0.4999	0.4999
Gholson	0.2095	0.2095	0.2095	0.2095	0.2135	0.2135	0.2135	0.2135	0.2135	0.2135
Hewitt	0.5397	0.5397	0.5397	0.5397	0.5397	0.5397	0.5397	0.5150	0.5150	0.4998
Lacy-Lakeview	0.3526	0.3526	0.3526	0.3526	0.3595	0.3572	0.3592	0.3592	0.3592	0.3659
Lorena	0.5607	0.5923	0.5923	0.6090	0.5900	0.5614	0.5614	0.5389	0.5389	0.5055
Mart	0.7592	0.7592	0.7592	0.7592	0.7592	0.7399	0.7802	0.8024	0.8067	0.8253
McGregor	0.5940	0.5940	0.5940	0.5950	0.5950	0.5950	0.6000	0.6000	0.5302	0.5413
Moody	0.6599	0.6402	0.6402	0.5996	0.6185	0.6349	0.6728	0.6261	0.6335	0.6173
Robinson	0.4845	0.4945	0.4945	0.4995	0.5053	0.4804	0.4700	0.4538	0.4155	0.4065
Waco	0.7762	0.7762	0.7762	0.7762	0.7762	0.7762	0.7762	0.7862	0.7862	0.7862
West	0.6065	0.6065	0.6065	0.6065	0.6065	0.5770	0.5770	0.4925	0.4725	0.4548
Woodway	0.4500	0.4700	0.4700	0.4700	0.4700	0.4700	0.4569	0.4569	0.4570	0.4572

McLennan County Junior College District
Direct and Overlapping Property Tax Rates
 per \$100 of Assessed Value
 (Continued)

Last Ten Fiscal Years
 (Unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
School Districts:										
Axtell Independent School District	\$ 1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.1700
Bosqueville Independent School District	1.3792	1.4300	1.4298	1.4415	1.5034	1.4782	1.4879	1.4785	1.5376	1.5500
Bruceville-Eddy Independent School District	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250
China Spring Independent School District	1.3587	1.3872	1.3872	1.4214	1.5161	1.5388	1.5400	1.3744	1.4114	1.4070
Connally Independent School District	1.3680	1.3744	1.3744	1.2512	1.2816	1.2744	1.2657	1.2691	1.2811	1.2888
Crawford Independent School District	1.2305	1.2305	1.2305	1.2305	1.2305	1.2414	1.2807	1.2131	1.2266	1.2688
Gholson Independent School District	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400
Hallsburg Independent School District	1.2348	1.2621	1.2621	1.2505	1.2939	1.2910	1.0400	1.0400	1.0400	1.0400
LaVega Independent School District	1.3940	1.4135	1.4135	1.4221	1.4590	1.4650	1.4200	1.4200	1.3650	1.3600
Lorena Independent School District	1.5340	1.5541	1.5540	1.5791	1.6400	1.6400	1.6200	1.3100	1.2900	1.2700
Mart Independent School District	1.4728	1.2269	1.2270	1.2095	1.2388	1.2295	1.2071	1.2178	1.2018	1.9120
McGregor Independent School District	1.3300	1.3300	1.3300	1.3338	1.3550	1.3550	1.3550	1.1850	1.1900	1.1900
Midway Independent School District	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200
Moody Independent School District	1.3618	1.3618	1.3618	1.3910	N/A	N/A	N/A	N/A	N/A	N/A
Oglesby Independent School District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Riesel Independent School District	1.4239	1.4503	1.4503	1.4682	1.3950	1.3100	1.3364	1.3029	1.2983	1.1082
Robinson Independent School District	1.4061	1.4061	1.4061	1.4700	1.5100	1.5100	1.3150	1.3150	1.3150	1.3150
Valley Mills Independent School District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Waco Independent School District	1.4041	1.4100	1.4100	1.4000	1.4000	1.3532	1.3548	1.3552	1.3610	1.3650
West Independent School District	1.2614	1.2907	1.2907	1.3175	1.2831	1.2700	1.2700	1.2232	1.2250	1.2300

Source: McLennan County Appraisal District

Note:

Overlapping rates are those of other governments that apply to property owners within the McLennan County Junior College District. Not all overlapping rates apply to all District property owners; for example, although the McLennan County tax rates apply to all District property owners, the Axtell Independent School District rates apply only to a small portion of District property owners whose property is located within the school district's geographic boundaries.

McLennan County Junior College District

Principal Taxpayers

Last Ten Years
(Unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (dollars expressed in thousands)									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sandy Creek Energy	Utility	\$ 341,215	306,850	247,151	524,137	524,137	545,373	450,272	402,237	417,814	-
Mars Wigley Confectionary	Processing	170,940	122,259	111,080	105,111	95,268	97,170	-	90,346	117,838	110,584
Oncor/TXU Electric	Utility	161,166	152,949	144,123	141,952	148,047	144,211	135,768	126,459	122,468	118,632
Allergan	Manufacturing	135,405	137,092	124,375	111,584	94,810	88,235	79,152	69,984	71,108	64,610
Caterpillar Logistics	Manufacturing	126,285	111,589	123,748	133,346	144,579	134,587	150,152	133,297	103,487	-
Coca-Cola	Processing	106,600	86,457	75,644	75,294	84,428	81,431	75,673	83,185	82,569	78,061
Ferguson Enterprises	Distributor	96,019	78,765	75,147	72,242	63,516	55,919	-	-	-	49,807
Owens Brockway	Manufacturing	74,702	71,419	74,786	-	-	-	-	-	-	-
Sherwin Williams	Distributor	71,369	-	-	-	-	-	51,798	62,264	-	46,933
Sanderson Farms	Processing	71,109	70,034	77,641	75,821	74,492	68,830	67,825	64,675	68,389	71,806
L3 Communications	Processing	-	-	-	-	-	-	-	-	-	-
Integrated Systems	Manufacturing	-	72,802	70,338	70,646	69,480	76,264	71,799	69,209	71,803	63,436
Associated Hygiene Products	Manufacturing	-	-	-	-	72,507	-	53,025	-	-	-
Sandy Creek Energy	Utility	-	-	-	-	-	57,325	-	-	-	-
(personal property)	Real estate	-	-	-	-	-	-	50,721	-	50,860	57,642
Inland Western	Technology	-	-	-	-	-	-	-	178,138	-	-
Space X	Technology	-	-	-	-	-	-	-	-	-	-
Southwestern Bell	Utility	-	-	-	-	-	-	-	-	44,744	57,479
Totals		\$ 1,354,810	1,210,216	1,124,033	1,387,876	1,371,264	1,349,345	1,186,185	1,279,794	1,151,080	718,990
Total taxable assessed value		\$ 17,632,186	16,032,873	15,590,137	14,535,209	13,742,962	12,829,972	12,646,737	12,118,455	11,480,266	11,226,768

McLennan County Junior College District
Principal Taxpayers
 (Continued)
 Last Ten Years
 (Unaudited)

Taxpayer	Type of Business	Percentage of Taxable Assessed Value									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sandy Creek Energy	Utility	1.94%	1.91%	1.59%	3.61%	3.81%	4.25%	3.56%	3.32%	3.64%	0.00%
Mars Wigley Confectionary	Processing	0.97%	0.76%	0.71%	0.72%	0.69%	0.76%	0.00%	0.75%	1.03%	0.99%
Oncor/TXU Electric	Utility	0.91%	0.95%	0.92%	0.98%	1.08%	1.12%	1.07%	1.04%	1.07%	1.06%
Allergan	Manufacturing	0.77%	0.86%	0.80%	0.77%	0.69%	0.69%	0.63%	0.58%	0.62%	0.58%
Caterpillar Logistics	Manufacturing	0.72%	0.70%	0.79%	0.92%	1.05%	1.05%	1.19%	1.10%	0.90%	0.00%
Coca-Cola	Processing	0.60%	0.54%	0.49%	0.52%	0.61%	0.63%	0.60%	0.69%	0.72%	0.70%
Ferguson Enterprises	Distributor	0.54%	0.49%	0.48%	0.50%	0.46%	0.44%	0.00%	0.00%	0.00%	0.44%
Owers Brockway	Manufacturing	0.42%	0.45%	0.48%	0.53%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sherwin Williams	Distributor	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.41%	0.51%	0.00%	0.42%
Sanderson Farms	Processing	0.40%	0.44%	0.50%	0.52%	0.54%	0.54%	0.54%	0.53%	0.60%	0.64%
L3 Communications											
Integrated Systems	Manufacturing	0.00%	0.45%	0.45%	0.49%	0.51%	0.59%	0.57%	0.57%	0.63%	0.57%
Associated Hygiene Products	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.53%	0.00%	0.42%	0.00%	0.00%	0.00%
Sandy Creek Energy (personal property)	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.45%	0.00%	0.00%	0.00%	0.00%
Inland Western	Real estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.40%	0.00%	0.44%	0.51%
Space X	Technology	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.47%	0.00%	0.00%
Southwestern Bell	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	0.51%
Totals		7.68%	7.55%	7.21%	9.55%	9.98%	10.52%	9.38%	10.56%	10.03%	6.40%

Source: McLennan County Appraisal District

McLennan County Junior College District
Property Tax Levies and Collections

Last Ten Tax Years
(dollars expressed in thousands)
(Unaudited)

Fiscal Year	Total Tax Levy for Fiscal Year	Collected Within Fiscal Year of Levy		Collections in Subsequent Year	Total Collections to Date	
		Amount	Percentage		Amount	Percentage of Levy
2019	\$ 26,522	25,892	97.62%	\$ 217	25,824	97.37%
2018	24,722	24,398	98.69%	244	24,641	99.67%
2017	23,274	22,381	96.16%	228	22,609	97.14%
2016	21,773	20,987	96.39%	342	21,239	97.55%
2015	20,562	19,777	96.18%	276	20,053	97.52%
2014	19,468	19,113	98.18%	250	19,363	99.46%
2013	19,178	18,519	96.56%	310	18,829	98.18%
2012	18,574	18,076	97.32%	207	18,283	98.43%
2011	17,969	17,510	97.45%	261	17,771	98.90%
2010	17,581	16,962	96.48%	263	17,225	97.98%

Note:

Property tax collections only - does not include penalties and interest.

McLennan County Junior College District

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars expressed in thousands)
(Unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Bonded Debt										
General obligation bonds	\$ 55,350	58,460	61,495	64,440	67,370	73,605	76,330	78,870	81,270	83,295
Other Debt										
Revenue bonds	18,875	13,190	14,260	15,095	15,900	16,675	17,425	18,145	18,845	19,555
Total outstanding debt	\$ 74,225	71,650	75,755	79,535	83,270	90,280	93,755	97,015	100,115	102,850

General Bonded Debt Ratios

Per capita	Not available	\$ 230	245	260	274	302	316	332	341	355
Per student	\$ 8,779	8,992	9,211	9,652	11,125	11,747	11,270	10,717	10,599	17,079
As a percentage of taxable assessed value	0.31%	0.36%	0.39%	0.44%	0.61%	0.65%	0.71%	0.97%	0.90%	0.86%

Total Outstanding Debt Ratios

Per capita	Not available	\$ 281	302	321	339	371	388	408	420	438
Per student	\$ 11,772	11,021	11,196	11,755	13,750	14,408	13,841	13,183	13,056	17,079
As a percentage of taxable assessed value	0.42%	0.45%	0.49%	0.55%	0.75%	0.81%	0.87%	0.97%	0.90%	0.95%
As a percentage of personal income	Not available	0.7176%	0.0800%	0.0841%	0.0900%	0.0388%	0.0132%	0.0130%	0.0130%	0.0133%

Note:

Debt per student calculated using full time equivalent enrollment.

Information for per capita not available for 2019.

Information for total outstanding debt as a percentage of personal income not available for 2019.

McLennan County Junior College District

Legal Debt Margin Information

Last Ten Fiscal Years

(dollars expressed in thousands)
(Unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Taxable assessed value	\$ 17,632,186	16,032,873	15,590,137	14,535,209	13,742,962	12,829,972	12,646,737	12,118,455	11,480,266	11,226,768
Statutory tax levy limit for general obligation debt service	\$ 88,161	80,164	77,951	72,676	68,715	64,150	63,234	60,592	57,401	56,134
Current year debt service requirements	5,639	5,644	5,641	5,729	6,110	6,112	6,034	6,275	5,977	5,692
Excess of statutory tax levy limit for debt service over current requirements	\$ 82,522	74,520	72,310	66,947	62,605	58,038	57,200	54,317	51,424	50,442
Current requirements as a percentage of statutory limit	6.40%	7.04%	7.24%	7.88%	8.89%	9.53%	9.54%	10.36%	10.41%	10.14%

Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

McLennan County Junior College District

Pledged Revenue Coverage

Last Ten Fiscal Years

(dollars expressed in thousands)
(Unaudited)

Fiscal Year	Pledged Revenues							Debt Service Requirements			
	Tuition	Facility Fees	Community Education Fees	Interest Income	Vending Commission	Bookstore Commission	Total	Principal	Interest	Total	Coverage
2019	\$ 1,299	1,136	120	361	41	338	3,295	915	477	1,392	2.37
2018	1,275	1,128	140	281	38	392	3,254	1,020	390	1,410	2.31
2017	1,253	1,123	108	81	38	409	3,012	835	605	1,440	2.09
2016	1,233	1,100	222	50	39	406	3,050	805	636	1,441	2.12
2015	1,207	1,093	204	40	33	435	3,012	775	663	1,438	2.09
2014	1,249	1,137	321	29	39	420	3,195	750	691	1,441	2.22
2013	1,391	1,227	228	205	44	439	3,534	720	717	1,437	2.46
2012	1,483	1,327	126	190	44	451	3,621	700	741	1,441	2.51
2011	1,595	1,380	146	172	45	488	3,826	710	765	1,475	2.59
2010	965	1,275	50	135	47	475	2,947	590	394	984	2.99

McLennan County Junior College District
Demographic and Economic Statistics

Last Ten Fiscal Years
(Unaudited)

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Personal Income Per Capita</u>	<u>Unemployment Rate</u>
2018	254,607	Not available	Not available	3.3%
2017	251,259	\$ 9,985,065	\$ 39,740	3.8%
2016	247,934	9,452,592	38,125	4.4%
2015	245,671	9,153,701	37,260	4.1%
2014	243,441	8,634,139	35,467	5.1%
2013	241,481	8,245,255	34,145	6.1%
2012	237,811	8,350,456	35,114	7.4%
2011	238,564	7,673,685	32,166	7.4%
2010	234,906	7,888,000	33,579	4.6%
2009	233,378	7,172,056	30,731	4.6%

Sources: Population from U.S. Bureau of the Census; personal income from U.S. Bureau of Economic Analysis; unemployment rate from Texas Workforce Commission

Note:

Information for 2019 not yet available.

McLennan County Junior College District

Principal Employers

Last Ten Fiscal Years (Unaudited)

Employer	Number of Employees									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Baylor University	2,986	2,901	2,901	2,746	2,675	2,675	2,583	2,583	2,583	2,360
Providence Health Center	2,397	2,401	2,401	2,311	2,397	2,397	2,538	2,538	2,618	2,434
Waco Independent School District	2,373	2,471	2,471	2,290	2,500	2,500	2,276	2,276	2,276	2,350
Baylor Scott & White/Hillcrest Health System	2,177	1,725	1,725	1,970	1,800	1,800	1,800	1,800	1,793	1,700
HEB	2,000	1,600	1,600	1,500	1,500	1,500	1,500	1,500	1,500	1,350
Texas State Technical Institute	1,706	630	672	672	672	672	672	672	672	684
City of Waco, Texas	1,578	1,456	1,456	1,487	1,506	1,506	1,506	1,506	1,506	1,729
Sanderson Farms	1,200	1,215	1,215	1,041	1,041	1,041	1,041	1,041	1,041	1,170
Midway Independent School District	1,081	1,282	1,282	1,102	1,067	1,067	1,067	1,067	1,067	955
McLennan County	964	934	934	891	830	830	830	860	830	850
Wal-Mart	947	1,026	1,026	1,015	1,656	1,656	2,561	2,561	2,561	1,290
Veterans Administration Medical Center	886	831	831	777	800	800	800	650	800	735
Texas Farm Bureau and Affiliated Companies	861	Not Available								
EMSI, Inc.	824	824	824	850	850	850	850	850	861	750
Veterans Regional Office	796	849	849	788	650	650	650	800	650	Not Available
Mars Wrigley Confectionary	775	600	600	575	525	525	650	525	650	580
L-3 Communications	752	1,349	1,349	1,850	2,300	2,300	2,079	2,079	2,079	1,619
Integrated Systems	708	710	710	Not Available						
Allergan	705	683	683	869	793	826	826	871	805	816
McLennan Community College	696	781	781	Not Available						
Aramark	693	712	712	Not Available						
American Income Life	675	Not Available								
Magnolia	646	707	707	708	685	685	685	685	685	694
Cargill Foods, Inc.	583	Not Available								
Big Creek Construction	549	Not Available								
Texas Department of Human Services	526	Not Available								
Versalift	519	Not Available								
Family Health Center										

Source: Greater Waco Area Chamber of Commerce

Note:

Detailed information on employer size and total employment for 2010 to 2018 was not available for certain employers.

McLennan County Junior College District
 State Appropriations – Operating Information

Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		Full-Time Student Equivalent	Appropriation Per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	Appropriation Per Contact Hour
2019	\$ 12,347,259	6,305	\$ 1,958	2,737,136	907,776	3,644,912	\$ 3.39
2018	12,347,526	6,501	1,899	2,724,028	938,960	3,662,988	3.37
2017	12,118,902	6,523	1,812	2,698,812	967,253	3,666,065	3.31
2016	12,099,894	6,676	1,812	2,624,792	990,464	3,615,256	3.35
2015	13,456,451	6,056	2,222	2,640,603	1,214,919	3,855,522	3.49
2014	13,456,451	6,266	2,148	2,720,076	1,293,954	4,014,030	3.35
2013	13,677,168	6,777	2,018	2,975,848	1,376,424	4,352,272	3.14
2012	13,889,811	7,359	1,887	3,288,502	1,442,243	4,730,745	2.94
2011	13,085,035	7,668	1,706	3,430,424	1,464,536	4,894,960	2.67
2010	13,214,849	7,116	1,857	3,205,976	1,452,946	4,658,922	2.84

Note: Full time student equivalent (FTSE) is defined as the total number of semester credit hours divided by 30.

McLennan County Junior College District
Faculty, Staff, and Administrators Statistics

Last Ten Fiscal Years
(Unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Faculty										
Full-time	213	218	218	220	225	232	238	240	215	200
Part-time	242	215	184	174	189	211	225	299	242	245
Total	455	433	402	394	414	443	463	539	457	445
Sopt Percent:										
Full-time	46.8%	50.3%	54.2%	55.8%	54.3%	52.4%	51.4%	44.5%	47.0%	44.9%
Part-time	53.2%	49.7%	45.8%	44.2%	45.7%	47.6%	48.6%	55.5%	53.0%	55.1%
Staff and Administrators										
Full-time	342	332	334	325	326	327	314	310	318	341
Part-time	58	70	64	108	53	57	52	22	30	30
Total	400	402	398	433	379	384	366	332	348	371
Percent:										
Full-Time	85.5%	82.6%	83.9%	75.1%	86.0%	85.2%	85.8%	93.4%	91.4%	91.9%
Part-Time	14.5%	17.4%	16.1%	24.9%	14.0%	14.8%	14.2%	6.6%	8.6%	8.1%
Students per full-time faculty	42	45	40	38	37	36	36	39	47	50
Students per full-time staff member	26	34	26	26	25	25	27	30	32	29
Average annual faculty salary	\$ 69,688	65,485	66,018	66,392	64,162	62,795	61,029	60,272	61,432	61,403

McLennan County Junior College District Enrollment Details Last Ten Fiscal Years (Unaudited)

Student Classification	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent								
Freshman	5,572	62.22%	5,417	61.00%	5,027	57.18%	4,547	54.75%	4,418	53.27%	4,498	52.58%	4,949	53.20%	5,613	55.11%	5,498	55.46%	5,316	58.24%
Sophomore	2,042	22.80%	2,086	23.49%	2,204	25.07%	2,271	27.34%	2,249	27.12%	2,450	28.64%	2,587	27.81%	2,758	27.08%	2,678	27.02%	2,771	30.36%
Unclassified	1,341	14.97%	1,377	15.51%	1,560	17.75%	1,487	17.90%	1,627	19.62%	1,607	3.49%	1,766	18.99%	1,814	17.81%	1,737	17.52%	1,041	11.40%
Total	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	18.58%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%
Semester Hour Load																				
Less than 3	38	0.42%	47	0.53%	66	0.75%	61	0.73%	43	0.52%	73	0.85%	79	0.85%	91	0.89%	82	0.83%	69	0.76%
3-5 semester hours	1,994	22.27%	1,861	20.96%	1,767	20.10%	1,615	19.45%	1,493	18.00%	1,364	2.96%	1,497	16.09%	1,497	14.70%	1,533	15.46%	1,496	16.39%
6-8 Semester hours	2,078	23.20%	1,923	21.66%	1,958	22.27%	1,773	21.35%	1,703	20.53%	1,771	20.70%	1,753	18.85%	2,015	19.78%	1,809	18.25%	1,726	18.91%
9-11 semester hours	1,507	16.83%	1,569	17.67%	1,531	17.42%	1,401	16.87%	1,489	17.95%	1,501	17.55%	1,706	18.34%	1,943	19.08%	1,605	16.19%	1,494	16.37%
12-14 semester hours	2,840	31.71%	2,934	33.04%	2,895	32.93%	2,817	33.92%	2,952	35.59%	3,202	6.95%	3,555	38.22%	3,922	38.51%	4,082	41.18%	3,640	39.88%
15-17 semester hours	445	4.97%	488	5.50%	507	5.77%	558	6.72%	535	6.45%	544	6.36%	636	6.84%	627	6.16%	699	7.05%	613	6.72%
18 & over	53	0.59%	58	0.65%	67	0.76%	80	0.96%	79	0.95%	100	0.22%	76	0.82%	90	0.88%	103	1.04%	90	0.99%
Total	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	55.59%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%
Average course load	8.8		9.6		9.0		9.2		9.4		9.6		9.5		9.6		9.7		9.6	
Tuition Status																				
Texas Resident (in-District)	7,411	82.76%	7,229	81.41%	7,145	81.28%	6,518	82.05%	6,528	82.24%	6,768	14.70%	7,328	82.24%	8,393	83.75%	7,739	82.78%	7,602	84.04%
Texas Resident (out-of-District)	1,235	13.79%	1,336	15.05%	1,362	15.49%	1,230	15.48%	1,224	15.42%	1,209	2.63%	1,375	15.43%	1,414	14.11%	1,392	14.89%	1,272	14.06%
Non-Resident Tuition	309	3.45%	315	3.55%	284	3.23%	196	2.47%	186	2.34%	180	2.21%	208	2.33%	214	2.14%	218	2.33%	172	1.90%
Total	8,955	100.00%	8,880	100.00%	8,791	100.00%	7,944	100.00%	7,938	100.00%	8,157	19.54%	8,911	100.00%	10,021	100.00%	9,349	100.00%	9,046	100.00%

McLennan County Junior College District Student Profile

Last Ten Fiscal Years (Unaudited)

Gender	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent													
Female	5,979	66.77%	5,838	65.74%	5,794	65.91%	5,427	65.35%	5,450	65.71%	5,568	65.08%	6,040	64.93%	6,656	65.35%	6,515	65.72%	6,086	66.67%	
Sophomore	2,976	33.23%	3,042	34.26%	2,997	34.09%	2,878	34.65%	2,844	34.29%	2,987	34.92%	3,262	35.07%	3,529	34.65%	3,398	34.28%	3,042	33.33%	
Total	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	
Ethnic Origin																					
White	4,407	49.21%	4,492	50.59%	4,597	52.29%	4,449	53.57%	4,602	55.49%	4,966	58.05%	5,370	57.73%	5,920	58.12%	5,915	59.67%	5,726	62.73%	
Hispanic	2,872	32.07%	2,734	30.79%	2,629	29.91%	2,352	28.32%	2,142	25.83%	2,087	24.40%	2,156	23.18%	2,139	21.00%	1,934	19.51%	1,559	17.08%	
African American	1,086	12.13%	1,089	12.26%	1,059	12.05%	1,072	12.91%	1,156	13.94%	1,318	15.41%	1,434	15.42%	1,781	17.49%	1,753	17.68%	1,666	18.25%	
Asian	148	1.65%	141	1.59%	126	1.43%	113	1.36%	118	1.42%	103	1.20%	103	1.11%	113	1.11%	121	1.22%	109	1.19%	
Foreign	-	0.00%	1	0.01%	-	0.00%	4	0.05%	2	0.02%	11	0.13%	16	0.17%	8	0.08%	-	0.00%	43	0.47%	
Native American	4	0.04%	3	0.03%	3	0.03%	6	0.07%	4	0.05%	4	0.05%	5	0.05%	10	0.10%	6	0.06%	19	0.21%	
American Indian	29	0.32%	25	0.28%	31	0.35%	17	0.20%	21	0.25%	25	0.29%	23	0.25%	39	0.38%	39	0.39%	-	0.00%	
Multiracial	316	3.53%	285	3.21%	252	2.87%	249	3.00%	213	2.57%	5	0.06%	160	1.72%	122	1.20%	57	0.60%	-	0.00%	
Unknown/unreported	93	1.04%	110	1.24%	94	1.07%	43	0.52%	36	0.43%	36	0.42%	35	0.38%	53	0.52%	88	0.89%	6	0.07%	
Total	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	
Age																					
Under 18	1,879	20.98%	1,631	18.37%	1,433	16.30%	1,411	16.99%	1,167	14.07%	1,061	12.40%	1,117	12.01%	1,158	11.37%	1,113	11.23%	988	10.82%	
18 - 21	3,574	39.91%	3,661	41.23%	3,542	40.29%	3,294	39.66%	3,155	38.04%	3,282	38.36%	3,517	37.81%	3,747	36.79%	3,636	36.68%	3,407	37.32%	
22 - 24	1,017	11.36%	1,112	12.52%	1,117	12.71%	1,015	12.22%	1,084	13.07%	1,104	12.90%	1,192	12.81%	1,365	13.40%	1,323	13.35%	1,243	13.62%	
Information for 2019 not	1,586	17.71%	1,569	17.67%	1,711	19.46%	1,597	19.23%	1,750	21.10%	1,879	21.96%	2,020	21.72%	2,264	22.23%	2,410	24.31%	2,161	23.67%	
36 - 50	688	7.68%	702	7.91%	760	8.65%	764	9.20%	864	10.42%	934	10.92%	1,122	12.06%	1,336	13.12%	1,154	11.64%	1,065	11.67%	
51 & over	211	2.36%	205	2.31%	228	2.59%	224	2.70%	274	3.30%	295	3.45%	334	3.59%	315	3.09%	277	2.79%	264	2.89%	
Total	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	
Average Age	24		24		24		24		25		25		26		26		25		25		26

McLennan County Junior College District

Capital Asset Information

Last Ten Fiscal Years
(Unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Academic buildings	17	17	17	17	17	17	17	17	16	15
Square footage*	564	564	564	564	564	564	564	564	549	538
Libraries	1	1	1	1	1	1	1	1	1	1
Square footage*	70	70	70	70	70	70	70	70	70	70
Number of volumes*	75	75	75	76	82	82	82	81	79	78
Administrative and support buildings	18	18	18	18	18	18	18	18	18	18
Square footage*	676	676	676	676	676	676	676	678	676	493
Dining facilities	3	3	3	3	2	2	2	2	2	2
Square footage*	15	15	15	15	15	15	15	15	15	15
Average daily customers	737	747	850	853	926	926	928	999	803	1,000
Athletic facilities										
Square footage*	43	43	43	43	43	43	43	43	43	43
Stadiums	2	2	2	2	2	2	2	2	2	2
Gymnasiums	2	2	2	2	2	2	2	2	2	2
Fitness centers	3	3	3	3	3	3	2	2	2	2
Tennis courts	8	8	8	8	8	8	8	8	8	8
Plant facilities										
Square footage*	1,077	1,077	1,077	1,077	1,077	1,077	1,077	1,077	1,077	1,077
Transportation										
Cars	4	4	4	4	4	4	4	4	6	5
Light trucks/vans	9	9	8	8	8	6	6	6	10	10
SUV's	7	8	8	8	9	9	9	9	10	7
Buses	1	1	2	2	2	2	2	2	2	2

* in thousands

**Overall Compliance, Internal Control and
Federal and State Awards Section**



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 600 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees
McLennan County Junior College District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of McLennan County Junior College District (the District) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2019. The financial statements of McLennan Community College Foundation, a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with McLennan Community College Foundation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as finding 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Public Funds Investment Act (Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Public Funds Investment Act*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jaynes, Reckmeier, Boyd & Howell, P.C.

November 26, 2019



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 600 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE AND UNIFORM
GRANT MANAGEMENT STANDARDS***

The Board of Trustees
McLennan County Junior College District:

Report on Compliance for Each Major Federal and State Program

We have audited McLennan County Junior College District’s (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Uniform Grant Management Standards* that could have a direct and material effect on each of the District’s major federal and state programs for the year ended August 31, 2019. The District’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2, U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Uniform Grant Management Standards*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the District’s compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal and state program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-002 that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Jaynes, Reutmeier, Boyd & Threlwell, P.C.

November 26, 2019

McLennan County Junior College District
Schedule of Findings and Questioned Costs

Year Ended August 31, 2019

(1) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

o Material weakness(es) identified?	_____	yes	_____	x	no
o Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	x	yes	_____	none reported
Noncompliance material to financial statements noted?	_____	yes	_____	x	no

Federal and State Awards

Internal control over major programs:

o Material weakness(es) identified?	_____	yes	_____	x	no
o Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	x	yes	_____	none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance and the Uniform Grant Management Standards?

_____	x	yes	_____	no
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Identification of major federal programs:

CFDA Number(s) Name of Federal Program or Cluster

Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans Program
TRIO Cluster:	
84.042A	TRIO - Student Support Services
84.047A	TRIO - Upward Bound

Identification of major state programs:

Grant Number(s) Name of State Program or Cluster

1317SSD001	Skills Development
1318SDF001	Skills Development
1319SSD001	Skills Development
Texas Education Opportunity Grant	

Dollar threshold used to distinguish between type A and type B federal programs:

_____ \$750,000 _____

Dollar threshold used to distinguish between type A and type B state programs:

_____ \$300,000 _____

Auditee qualified as low-risk auditee for federal programs?

_____	x	yes	_____	no
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Auditee qualified as low-risk auditee for state programs?

_____	yes	_____	x	no
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McLennan County Junior College District
Schedule of Findings and Questioned Costs
(Continued)

(2) Financial Statement Findings

2019-001 – Improving Compliance and Internal Controls over Procurement Policies

Internal controls are designed to safeguard assets, protect the District from bias, and help detect losses from employee dishonesty or error. Due to the decentralization of approvals for purchases throughout the District, the District was inconsistent in its application of internal procurement policies for purchases that were between \$10,000 and \$50,000 which require multiple quotes in order to determine the most suitable vendor.

In order to mitigate this condition, we suggest that the District conduct trainings to refresh all personnel on the internal procurement requirements for purchases between \$10,000 and \$50,000. Implementation of this training and reinforcement by approvers should help ensure compliance with the internal procurement policies established by the District.

Views of Responsible Officials and Planned Corrective Actions:

Management concurs with the findings as presented. In response, management implemented the following corrective action plan to begin in January 2020:

- The purchasing department will provide refresher training to all current District staff and full training to new employees hired who are involved in the sourcing and purchasing of goods and services. This training will cover the procurement policies to ensure clarity and understanding. The training will specifically address the requirements of written quotes for purchases that are between \$10,000 and \$50,000 or options to use purchasing cooperatives and sole source vendors.
- With the recent upgrade to our Colleague computer system, the District will implement a workflow process to ensure a systematic review and approval of purchases that are between \$10,000 and \$50,000. This change will allow for document retention in a centralized database.

Responsible Individuals: Director – Purchasing/Auxiliary Services (District Purchasing Department)

McLennan County Junior College District
Schedule of Findings and Questioned Costs
(Continued)

(3) Federal Award Findings and Questioned Costs

None noted

(4) State Award Findings and Questioned Costs

2019-002 – *Questioned Costs in the Texas Education Opportunity Grant*

State Program: Texas Education Opportunity Grant

State Agency: Texas Higher Education Coordinating Board

Criteria:

The Texas Administrative Code Title 19 Part 1, Chapter 22, Subchapter M, Rule 22.260 (b) (4) states that an institution may not charge a student receiving a Texas Education Opportunity Grant (TEOG) award an amount of tuition and required fees in excess of the amount of the TEOG award. For excess amounts, the institution must use other available sources of financial aid, other than a loan or Pell grant, to cover the difference, or the institution can waive the excess charges for the student. The Texas Administrative Code Title 19, Part 1, Chapter 22, Subchapter A, Rule 22.2 (1) states that institutions shall disburse state student financial aid funding, except work-study, to a student's account no later than three business days after receiving the funds. Undisbursed funds must be returned to the Board no later than six business days after receipt of funds.

Condition and Context:

During the audit of TEOG, we identified instances whereby the District did not properly calculate matching amounts for tuition and fees in excess of TEOG funds disbursed to students. Additionally, funds were drawn by the District which were not disbursed to students in accordance with required time limits.

Cause and Effect:

Initially when the guidance was reviewed, the District determined that the TEOG award was more than a student would pay for twelve semester hours of coursework; therefore, the matching requirement was not going to impact the District. Subsequent to that analysis, students registered for greater than twelve semester hours and the matching requirement was not revisited resulting in noncompliance.

McLennan County Junior College District
Schedule of Findings and Questioned Costs
(Continued)

(4) State Award Findings and Questioned Costs (continued)

The District identified all students with tuition and fees that exceeded amounts of TEOG funds awarded. The District reduced any excess by funds received from other sources (excluding Pell grants and loan funds) to determine if there was remaining excess that should have been waived or reduced by other funding sources.

The District also identified two students in the summer 2019 who were awarded TEOG funds, but the awards were never transmitted to the student account for payment to the student.

As a result of these findings, it was also evident that there were control deficiencies which kept these costs from being identified before being submitted to the Texas Higher Education Coordinating Board. These control findings are determined to be significant deficiencies.

Questioned Costs:

The unmatched funds were calculated to be approximately \$34,500 of questioned costs. Additionally, approximately \$2,000 in funds were drawn by the District which were not disbursed to students in accordance with required time limits. A total of \$36,500 in questioned costs were identified by the District which related to matching and cash management. These costs exceed the required reporting threshold; however, they are not considered material noncompliance.

Repeat Finding:

No.

Recommendation:

To remediate these deficiencies, we recommend that management implement training to ensure that all personnel involved with TEOG understand the terms of the grant, requirements for matching calculations, and the timing of reimbursement requests and disbursement of awarded funds to recipients. Future awards should be properly reviewed for compliance with the grant requirements.

Views of Responsible Officials and Planned Corrective Actions:

Beginning with fall 2019, Financial Aid will review each TEOG student's final tuition and fee amount after the state census date and provide an appropriate match at that time,

McLennan County Junior College District
Schedule of Findings and Questioned Costs
(Continued)

(4) State Award Findings and Questioned Costs (continued)

adjusting for other programs that may also serve as a match. In addition, Financial Aid will work with the District's information technology department (and a Datatel consultant) to create a matching award that can automatically determine the appropriate match amount and post that without compromising other awards the student may already have.

The Financial Aid Specialist assigned to TEOG will be asked to routinely run the Funds Management Report and resolve any discrepancies in the awarded versus transmitted amounts to ensure the timely disbursement and/or return of funds. During the past year, the District added an additional specialist to divide up the duties and allow the staff responsible for TEOG more time to work this very manual program.

Responsible Individual: James Kubacak, Director of Financial Aid

McLennan County Junior College District
Summary Schedule of Prior Audit Findings

August 31, 2019

2018-001 – Questioned Costs in the Skills Development Grants and Related Significant Deficiency

During the audit of the Skills Development program, exceptions were identified whereby the District submitted requests for reimbursement on courses where the minimum student count was not achieved. Additionally, there were instances where cost reimbursement requests were not properly supported with eligible attendee data. It was noted that the Texas Workforce Commission (TWC) performed a desk review during the year ended August 31, 2018 of the grants covered in this testing in which disallowed costs of approximately \$13,000 were identified by TWC and corrected by the District. Additional known questioned costs of approximately \$16,000 related to the allowable costs, allowable activities, and reporting compliance requirements were identified during the audit.

As a result of these findings, it was evident that there were control deficiencies which kept these costs from being identified before being submitted to TWC. Deficiencies had not been identified in previous years related to these grants. To remediate this deficiency, we recommended that management implement training to ensure that all members of the Skills Development Grant department understand the terms of the grant and the timing of reimbursement requests. Future requests should be properly reviewed for compliance with the grant requirements.

Corrective action was taken.